

the present condition of prices of agricultural products; to the Committee on Agriculture.

4400. By Mr. ESCH: Petition of National Council of the Sons and Daughters of Liberty, Philadelphia, Pa., urging the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

4401. By Mr. FULLER of Illinois: Petition of the National Sheep and Wool Bureau of America, favoring the passage of the French-Capper truth in fabrics bill; to the Committee on Interstate and Foreign Commerce.

4402. Also, petition of Mrs. Ira Couch Wood, chairman Child Welfare Division, General Federation of Women's Clubs, favoring the Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

4403. Also, petition of the Chicago College Club, favoring protection for the national parks; to the Committee on the Public Lands.

4404. Also, petition of the National Mirror Works, of Rockford, Ill., favoring 1-cent drop-letter postage; to the Committee on the Post Office and Post Roads.

4405. Also, petition of C. F. Baum Co., of Chicago, Ill., favoring an amendment of sections 214 and 234 of the revenue act; to the Committee on Ways and Means.

4406. Also, petition of the National Live Stock Exchange, opposing a tax on sales and especially on sales of any agricultural products; to the Committee on Ways and Means.

4407. By Mr. GALLIVAN: Petition of Eliza P. Emery and John S. Aimes, of Boston, Mass., opposing the Falls River Basin bill of Yellowstone Park; to the Committee on Water Powers.

4408. Also, petition of Eope Eddy Co., Sutcliffe & Co. (Inc.), Fred M. Blanchard, S. E. Hecht & Co., E. S. Parkhurst & Co. (Inc.), J. T. Meader Co. (Inc.), all business men of Boston, Mass., favoring a revision of the present income-tax laws; to the Committee on Ways and Means.

4409. By Mr. GOODYKOONTZ: Papers to accompany House bill 14915, granting a pension to William J. Vanhooose; to the Committee on Invalid Pensions.

4410. By Mr. IRELAND: Petitions of various citizens of Peoria, Ill., protesting against the establishment of a Federal department of health; to the Committee on Interstate and Foreign Commerce.

4411. By Mr. KIESS: Papers to accompany House bill 14562, granting a pension to Eunice R. Tripp; to the Committee on Invalid Pensions.

4412. By Mr. MERRITT: Petition of Ben Miller Council, No. 11, Junior Order United American Mechanics, Danbury, Conn., favoring the restriction of immigration and also favoring the passage of House bill 7, to create a department of education; to the Committee on Immigration and Naturalization.

4413. By Mr. MOON: Papers to accompany House bill 14929, granting an increase of pension to James W. Scott; to the Committee on Invalid Pensions.

4414. By Mr. O'CONNELL: Petition of Rigney & Co., of Brooklyn, N. Y., favoring an amendment to the revenue laws; to the Committee on Ways and Means.

4415. Also, petition of National Council Sons and Daughters of Liberty, Philadelphia, Pa., favoring the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

4416. By Mr. HENRY T. RAINEY: Petition of Mrs. Estelle Bolin and 30 other members of the Friday Club of Milton, Ill., favoring the passage of the Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

4417. By Mr. SNYDER: Petition of the employees of A. S. & T. Hunter, Utica, N. Y., favoring a five-months' daylight savings law; to the Committee on the Judiciary.

4418. By Mr. STOLL: Petition of the Tea and Topic Club of Timmonsville, S. C., favoring the passage of the Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

4419. By Mr. TEMPLE: Petition of the Civic Club of Allegheny County, Pa., in support of House bill 7, a bill to create a department of education; to the Committee on Education.

4420. By Mr. TINKHAM: Petition of the Massachusetts State Federation of Women's Clubs, favoring the passage of the Rogers bill (H. R. 12749), the Sheppard-Towner bill (S. 3259 and H. R. 10925), and the Smith-Towner bill (H. R. 7 and S. 1017); to the Committee on Interstate and Foreign Commerce.

4421. Also, petition of the Massachusetts State Federation of Women's Clubs, favoring an amendment to the water power bill that will protect the national parks and monuments; to the Committee on Water Powers.

## SENATE.

MONDAY, December 13, 1920.

(Continuation of legislative day of Saturday, December 11, 1920.)

The Senate assembled at 12 o'clock meridian, on the expiration of the recess.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Frelinghuysen	Lodge	Smith, Ga.
Ball	Glass	McCumber	Smith, Md.
Borah	Gronna	McKellar	Smith, S. C.
Brandee	Harris	McLean	Smoot
Calder	Harrison	McNary	Spencer
Capper	Heflin	Nelson	Stirling
Chamberlain	Henderson	New	Swanson
Colt	Jones, Wash.	Norris	Thomas
Culberson	Kellogg	Nugent	Townsend
Curtis	Kendrick	Overman	Trammell
Dial	Kenyon	Page	Underwood
Dillingham	Keyes	Phipps	Wadsworth
Edge	King	Poinsett	Warren
Fall	Kirby	Ransdell	Watson
Fernald	Knox	Sheppard	Wolcott
Fletcher	La Follette	Shields	
France	Lenroot	Simmons	

The VICE PRESIDENT. Sixty-six Senators have answered to their names. There is a quorum present.

## DIPLOMATIC RELATIONS WITH KOREA.

Mr. KNOX. Mr. President, I ask the indulgence of the Senate for a few moments only to call attention to a grave error in relation to our diplomatic history that I observed this morning in an editorial in the New York Herald. The New York Herald says:

The withdrawal in 1912 of the legation of the United States from Korea, after we had in 1902 a compact with the Korean Government, was one of the most serious mistakes in American diplomacy.

There are Senators here who, I am sure, will recall the following: The last minister to Korea was Mr. Edwin V. Morgan, who was withdrawn in 1905. Since that time there has not been an American legation in Korea. Indeed, as early as 1906 Korea had yielded such control over her foreign affairs that American consuls in Korea were accredited to Japan.

Another outstanding fact is that in 1910, which was two years prior to this serious blunder in American diplomacy in withdrawing a legation which did not exist, Korea was annexed to Japan by solemn treaty between the two Governments, in which all of the sovereignty over Korea was ceded to Japan, and since that time has been governed as a part of the Japanese Empire.

## PETITIONS AND MEMORIALS.

Mr. McLEAN presented a petition of the Connecticut State League of Building and Loan Associations, of New Haven, Conn., favoring the promotion of systematic thrift and ownership of individual homes, which was referred to the Committee on Finance.

He also presented a memorial of the Radio Club of Hartford and Bridgeport, Conn., remonstrating against legislation proposing to regulate amateur wireless, etc., which was referred to the Committee on Naval Affairs.

He also presented petitions of the Board of Aldermen of Bridgeport; the Lincoln School, of Bridgeport; and the Council Cartier, 290, of l'Union St. Jean Baptiste d'Amerique, of Bridgeport, Conn., praying for the enactment of legislation to increase the salaries of post-office employees, which were referred to the Committee on Post Offices and Post Roads.

He also presented memorials of the Stamford Teachers' Association and the Women's Club of Seymour, Conn., remonstrating against the enactment of legislation commercializing the national parks, which were referred to the Committee on Commerce.

He also presented a petition of the Hartford Theological Seminary, of Hartford, Conn., favoring a mandate for Armenia, which was referred to the Committee on Foreign Relations.

He also presented a petition of the Berkeley Divinity School, of Middletown, Conn., favoring the assistance by Congress of the starving people of the Near East, which was referred to the Committee on Foreign Relations.

He also presented petitions of sundry Lithuanian citizens of Waterbury, New Haven, and Thompsonville, Conn., favoring the independence of Lithuania, which were referred to the Committee on Foreign Relations.

He also presented memorials of the Canadian Athletic Club; Council No. 47, l'Union St. Jean Baptiste d'Amerique, and Council No. 114, l'Union St. Jean Baptiste d'Amerique, of Putnam, Conn., remonstrating against the enactment of the Smith-Towner bill, which were referred to the Committee on Education and Labor.

He also presented petitions of sundry women citizens of Hartford, Conn., and the Bridgeport Section, Council of Jewish Women, of Bridgeport, Conn., praying for the enactment of legislation for the protection of maternity and infancy, which were ordered to lie on the table.

He also presented a memorial of Ben Miller Council, American Mechanics, of Danbury, Conn., remonstrating against the immigration of undesirable aliens, which was referred to the Committee on Immigration.

#### AMENDMENT TO RULES.

Mr. CURTIS. I ask unanimous consent to submit a resolution to amend the rules, of which I gave notice on the 8th instant, and I ask that it be referred to the Committee on Rules.

There being no objection, the resolution (S. Res. 400) was referred to the Committee on Rules, as follows:

That clause 1 of Rule XXVI of the Standing Rules of the Senate be amended so as to read as follows, to wit:

1. All general appropriation bills shall be referred to the Committee on Appropriations, and no amendments shall be received to any general appropriation bill the effect of which will be to increase an appropriation already contained in the bill, or to add a new item of appropriation, unless it be made to carry out the provisions of some existing law, or treaty stipulation, or act, or resolution previously passed by the Senate during that session; or unless the same be moved by direction of a standing or select committee of the Senate, or proposed in pursuance of an estimate of the head of some one of the departments.

#### BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CURTIS:

A bill (S. 4614) granting a pension to Ida May Hollister;

A bill (S. 4615) granting a pension to Sue C. Tozier (with accompanying papers);

A bill (S. 4616) granting a pension to Nancy P. Settle (with accompanying papers);

A bill (S. 4617) granting a pension to Jennie Denning (with accompanying papers);

A bill (S. 4618) granting a pension to N. Angie Vermillion (with accompanying papers);

A bill (S. 4619) granting an increase of pension to Andrew P. Larson (with accompanying papers);

A bill (S. 4620) granting an increase of pension to Henry S. Corp (with accompanying papers);

A bill (S. 4621) granting a pension to Hester A. Record or Ricketts (with accompanying papers);

A bill (S. 4622) granting a pension to James Mimford (with accompanying papers);

A bill (S. 4623) granting an increase of pension to Nancy J. Lee (with accompanying papers);

A bill (S. 4624) granting a pension to Mary Durham (with accompanying papers);

A bill (S. 4625) granting a pension to William Shurman Sharp (with accompanying papers); and

A bill (S. 4626) granting an increase of pension to Melville C. Mallicoat (with accompanying papers); to the Committee on Pensions.

By Mr. DILLINGHAM:

A bill (S. 4627) to limit the immigration of aliens into the United States; to the Committee on Immigration.

By Mr. BALL:

A bill (S. 4628) granting an increase of pension to Cordelia Safford; to the Committee on Pensions.

By Mr. MOSES:

A bill (S. 4629) granting a pension to Ursula S. Dinsmore (with accompanying papers); to the Committee on Pensions.

By Mr. SMITH of Maryland:

A bill (S. 4630) to provide for an examination and survey to be made of Baltimore Harbor, Md., and the channels leading thereto; to the Committee on Commerce.

By Mr. FRELINGHUYSEN:

A bill (S. 4631) to reimburse the borough of Barnegat City, State of New Jersey, for expenses incurred by it in the construction of jetties and in other work having for its object the protection of the lighthouse and adjacent property belonging to the Government of the United States situate at Barnegat Inlet, in the State aforesaid; to the Committee on Claims.

By Mr. KNOX (for Mr. PENROSE):

A bill (S. 4632) granting an increase of pension to Kate E. Young; to the Committee on Pensions.

A bill (S. 4633) for the relief of Annie McColgan (with accompanying papers); to the Committee on Claims.

By Mr. SPENCER:

A bill (S. 4634) granting an increase of pension to Thomas H. Wilkerson; to the Committee on Pensions.

#### WILLIAM J. BOYD AND OTHERS.

Mr. LODGE submitted the following resolution (S. Res. 399), which, with the accompanying paper, was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Secretary of the Senate be, and he is hereby, authorized and directed to pay from the contingent fund of the Senate to William J. Boyd, Joseph B. D. Boyd, Mary Jane Saunders, and Margaret A. Raum, brothers and sisters and next of kin of George H. Boyd, late superintendent of the document room of the Senate of the United States, a sum equal to one year's salary at the rate he was receiving by law at the time of his demise, said sum to be considered as including funeral expenses and all other allowances.

LILLIE K. TITLOW.

Mr. LODGE submitted the following resolution (S. Res. 401), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Secretary of the Senate be, and he is hereby, authorized and directed to pay from the miscellaneous items of the contingent fund of the Senate to Lillie K. Titlow, widow of Samuel C. Titlow, late a policeman in the Capitol, a sum equal to six months' salary at the rate he was receiving by law at the time of his death, said sum to be considered as including funeral expenses and all other allowances.

ZELDA R. FORE.

Mr. LODGE submitted the following resolution (S. Res. 402), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Secretary of the Senate be, and he is hereby, authorized and directed to pay from the miscellaneous items of the contingent fund of the Senate to Zelda R. Fore, widow of James L. Fore, late a policeman in the Capitol, under the Sergeant at Arms, a sum equal to six months' salary at the rate he was receiving by law at the time of his death, said sum to be considered as including funeral expenses and all other allowances.

MARY NEAL.

Mr. LODGE submitted the following resolution (S. Res. 403), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Secretary of the Senate be, and he is hereby, authorized and directed to pay from the miscellaneous items of the contingent fund of the Senate to Mary Neal, widow of Thomas Neal, late a laborer in charge of private passage in the Capitol, a sum equal to six months' salary at the rate he was receiving by law at the time of his death, said sum to be considered as including funeral expenses and all other allowances.

CAROLINE B. GASTON.

Mr. LODGE submitted the following resolution (S. Res. 404), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Secretary of the Senate be, and he is hereby, authorized and directed to pay from the miscellaneous items of the contingent fund of the Senate to Caroline B. Gaston, widow of Alanson D. Gaston, late a messenger in the Capitol, under the Sergeant at Arms, a sum equal to six months' salary at the rate he was receiving by law at the time of his death, said sum to be considered as including funeral expenses and all other allowances.

#### SUPERINTENDENT OF SENATE DOCUMENT ROOM.

Mr. NEW submitted the following resolution (S. Res. 405), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Secretary of the Senate be, and he is hereby, authorized and directed to appoint William Grant Lienallen, superintendent of the Senate document room at the rate provided by the legislative, executive, and judicial act approved May 29, 1920, to be paid out of the contingent fund of the Senate until otherwise provided by law.

#### FINANCING OF AGRICULTURAL OPERATIONS.

The Senate, as in Committee of the Whole, resumed the consideration of the joint resolution (S. J. Res. 212) directing the War Finance Corporation and the Federal Reserve Board to take certain action for the relief of the present depression in the agricultural sections of the country.

Mr. EDGE. Mr. President, I was necessarily absent during several days of last week when the resolution to revive the War Finance Corporation and some other suggestions in the interest of meeting the present agricultural situation were before the Senate. I wish to say just a brief word on the proposed action, having been very deeply interested in endeavoring to help solve problems that are closely allied to the problem which I think we are now facing in connection with the prices of food products.

I think it is unnecessary for anyone to state that if any practical method can be devised that will not generally disrupt economic conditions there could not possibly be a Member of this body who would not cheerfully and quickly vote to help



any class of citizens. At the same time I think it is our duty to approach the problem from the standpoint of all classes of citizens. I am finding it very difficult, frankly, to bring myself to feel that reviving the War Finance Corporation would be the wisest course or would to any considerable extent solve the present difficulty. I frankly admit that perhaps reestablishing the functions of the War Finance Corporation would be the least objectionable of many suggestions that I have read about as being possible to help meet the situation.

But after all is said and done we must, in my judgment, frankly face and realize this condition: It would be erecting simply a temporary structure. It would be artificial. It is for the admitted purpose of keeping up prices for foodstuffs. We have gone through a period ever since the armistice of general complaint because of the high cost of living, and yet in this particular case we will be directly, as I understand the matter, providing governmental aid, and that aid financially can only be secured in one way, by taxing the people or issuing bonds, which is one and the same thing in the final analysis, using a governmental agency to deliberately keep up prices.

I think we must realize that the only safe barometer of trade, the only enduring control of trade, is the natural law of supply and demand; but when we artificially erect a structure to keep up prices to a particular class because losses are impending—and they undoubtedly are—do we not simply put off the evil day and in the final analysis will not that and all other classes necessarily be compelled to accept their inevitable losses with interest added? I think it is very much better, with the world all upset, as it necessarily must have been following the Great War and following the necessarily unusual measures which we adopted during that time, for us to recognize that all classes, whether they be the farmers, the small manufacturers, or the cotton growers, or whatever their vocation or activity may be, must accept the inevitable loss or deficit in this necessary readjustment.

I had the pleasure of being in Chicago for a few hours last week at a conference of bankers, farmers, and range cattlemen, the conference consisting, I should say, of approximately 400 people, representing every corner of the country, called for the purpose of organizing a corporation to try to solve this very difficulty by having those interested help themselves, rather than to have the Government suddenly erect, as I have said, an artificial structure for temporary expedience. The response was immediate; the farmers present, together with all the representatives of other activities, voted unanimously that this was a practical method to pursue, and in a very few moments the necessary amount for flotation purposes was underwritten by those assembled. The idea was, as Senators well know, under the amendment which we passed at the last session to the Federal reserve act, to provide for furnishing credit in order to assist our exports.

It is said—and I think entirely correctly—that some of the wheat and cotton can be exported at fair prices if temporary help shall be given. The organization proposed to be formed in Chicago, without calling upon the Government to take part in financing any particular industry, is designed for that purpose. In my judgment I think the sentiment is universal to-day, generally speaking, amongst the public that they would like to see the Government out of business.

Mr. BORAH. Mr. President—

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Idaho?

Mr. EDGE. I yield.

Mr. BORAH. I wish the Senator from New Jersey would state a little more in detail what it was that this body of men in Chicago did in the way of contributing to underwriting the present situation. I did not catch the details.

Mr. EDGE. I shall be very glad to do that. I passed over the matter hurriedly, because it is always my policy not to trespass upon the time of the Senate any more than is necessary, and I thought, perhaps, that what really happened in Chicago was generally understood. The corporation which was in process of formation there is to be organized under the amendment to the Federal reserve act providing for export financing. The underwriting, as I understand, it simply covering the amount of money which will be necessary to be assured in order to enable them actually to commence business, and not for the entire \$100,000,000 of capital that is provided for, or at least that it is the intention finally to provide. But from all the indications of the various groups represented—and, as I recall, there were three distinct farmer groups represented there—all joined in recommending organization and realized that this was the only permanent solution. When there is a surplus or excess of products and it is not against the interests of our own country that it be exported, then Great Britain or France or

whatever country may want to import go to this corporation. If the man in France can not pay the cash, he usually has some securities—the securities are taken over by this corporation. Upon those securities the corporation issues bonds or debentures to the American public, to farmers' organizations, who are going to sell their wheat, and so forth. The result is that the transaction is financed in the same way in which we would finance a domestic proposition through our national banks, only on a larger scale for international trade. And the Government guarantees nothing.

Mr. BORAH. Did this organization take any steps toward opening up some of the closed markets of the world in order that our products might get into them?

Mr. EDGE. Mr. President, this organization, of course, had only one general object, to attempt to furnish capital in order to give credit to those purchasers abroad who want to buy American goods. The question of diplomatic relations and the question of dealing with those countries with which I hope we soon will have intercourse are questions, of course, to be wrestled with alone by those men who are trusted with public responsibilities.

Mr. BORAH. My information has been—I do not know whether or not it had reference to the bankers who met at Chicago—that some of them have been very active in keeping those markets closed.

Mr. EDGE. I can not answer as to that, Mr. President. However, the atmosphere of the meeting in Chicago, the sentiment that was plainly evident in every corner of that chamber, and the determination and desire to help American producers could not, in my judgment, have been mistaken by anyone who happened to have had the opportunity to have been present. Its success will contribute greatly to the solution of some of the very problems we are facing.

Mr. SIMMONS. Mr. President—

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from South Carolina?

Mr. EDGE. Yes.

Mr. SIMMONS. Will the Senator inform the Senate when the hundred-million-dollar corporation, of which he speaks, was organized?

Mr. EDGE. The corporation is just in the process of organization. The meeting held in Chicago was for the purpose of interesting men engaged in and having to do with the export trade so that the corporation could be organized. It has not as yet, however, been organized.

Mr. SIMMONS. Its organization has not been completed?

Mr. EDGE. No; that was the first meeting, so far as I am informed.

Mr. CALDER. Mr. President, will the Senator yield?

Mr. EDGE. Yes.

Mr. CALDER. I wish to ask the Senator from New Jersey if the meeting held at Chicago took any action indicating their attitude toward the revival of the War Finance Corporation?

Mr. EDGE. Not while I was present. I left some time before they concluded their deliberations; but there was no discussion of that question while I was in the chamber.

Mr. CALDER. I should like to ask the Senator how long will it take before the corporation contemplated at the Chicago meeting can function if the organization is formed?

Mr. EDGE. The view was confidently expressed by men who are very much interested in the corporation that, in view of the present necessities and in view of the apparently universal desire to cooperate on the part of those who really want to sell their goods, they will actually be ready to do business before the 1st day of February, 1921; and I think there is every indication from their enthusiasm and determination that they will do so.

Mr. SMITH of Georgia. Mr. President—

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Georgia?

Mr. EDGE. I yield.

Mr. SMITH of Georgia. It is true, then, that the sentiment there was almost unanimous that something must be done to aid in furnishing credits to broaden our foreign markets for the sale of our goods?

Mr. EDGE. Absolutely.

Mr. SMITH of Georgia. If the War Finance Corporation resumes its functions, we will add just that much more strength toward accomplishing the very object which that meeting desired?

Mr. EDGE. Mr. President, that is quite correct; but, despite frequent interruptions—and I am entirely ready to answer, so far as I can—what I am endeavoring to do is to impress upon the Senate, so far as I can, the difference between a governmental agency and private business initiative and

enterprise. That is all. There is not any question in my mind that the War Finance Corporation would do some temporary good, but I do not think the Government should be called upon at this time to exercise that particular function, and erect artificial agencies to keep up prices.

There is another point, and a very important point, which, perhaps, has not been brought out in this debate. If we keep prices up through some artificial agency of the character proposed, by issuing bonds, for instance—and when we issue bonds the public or somebody must absorb them—it means, of course, more or less financial interference. The same thing is true if we levy some other form of taxation. We can not spend money without getting money; and when we try to make money, as has been well evidenced by the experience of the past, we usually lose money. The only method by which we can get the money, of course, is through the issuing of bonds or by taking it from some Government appropriation which is based on a levy of taxes.

The business men of the country apparently are ready to finance themselves. They have been somewhat tardy, perhaps, in view of their opportunities, in forming the necessary financial institutions to carry on the work in a businesslike way, but they are now acting. I do not believe the people represented in Chicago, I will say to the Senator from Georgia, generally speaking, think it necessary for the Government actually to finance or to advance means in order to help relieve the present situation.

I started to make the point that if we put prices up of stocks in storage in this sudden artificial way we are going to be faced with just that much additional difficulty in trying to sell and export such goods. We read in the papers—and I assume that it is true—that importations are coming in every day, and that we must consider the question of embargoes. I do not doubt that there is something in that, but foreign prices are usually under ours, and now, if we attempt to raise our prices to our own people by using governmental means, at the same time we will make it all the more difficult for the farmers themselves to find a market to which to export their goods because of our higher prices.

Prices are going down all over the world as well as in America, and I think a large proportion of the people of this country are very glad that they are going down. I do not think that it is incumbent upon the Senate or upon Congress or that it is the duty of Congress to erect a temporary structure in this way in order to create a false market and to put ourselves to a greater or less extent in a position where we will not have the market long because of our prices.

Let us take our medicine and get through with this condition. We altered many policies during the war, and I think now we should get down to normal conditions and take our medicine and build on a great solid foundation rather than to rely upon governmental interference and governmental help. There are plenty of things for us to do; there are many things which it is necessary should be done in connection with taxation and transportation. We can, for instance, deal with the numerous profiteers between the coal mine and the retail dealer. All these things are proper governmental functions. There are many activities in which we can help to cooperate and assist, but merely to revive semiwar institutions or to issue bonds or to get money in some way or other temporarily to put up prices, in my judgment, is based upon a false principle. We must realize and recognize that in order to bring about permanent relief we must get down to the common-sense basis of supply and demand and not artificial expedients.

Mr. KELLOGG. Mr. President, before the Senator takes his seat I wish to ask him to yield to me for a moment to ask a question.

Mr. EDGE. I am through, unless the Senator desires to ask a question.

Mr. KELLOGG. I should like to make a little statement and ask the Senator's opinion upon it.

Mr. EDGE. I will be very glad to listen to the Senator.

Mr. KELLOGG. Of course, the Senator realizes that the War Finance Corporation has not any power to loan money to anybody to carry products. It has power simply to loan money to aid in foreign commerce and in selling products abroad.

Mr. EDGE. Yes.

Mr. KELLOGG. Now, I wish to invite the Senator's attention to a condition which I am told exists, of which I am reminded by the question of the Senator from Idaho [Mr. BORAH].

I am told that practically all purchases of food products or farm products in this country are made by foreign Governments; that the citizens and dealers and corporations of for-

foreign countries are not permitted to come here and buy products. The Governments appoint commissions, and those commissions are combining and forcing down the American market, and buying together as against a large number of scattered sellers all over the country who have not organized and who are not coordinated. Now, I desire to ask the Senator if he thinks that if corporations like the one in Chicago are organized, or the War Finance Corporation could aid in any way in coordinating their selling agencies so as to meet these foreign combinations in this country?

Mr. EDGE. I am very glad the Senator made that suggestion. I think one of the main activities and essential features of these so-called international corporations is to establish, in the various centers of Europe or South America or any country with which it is hoped we will deal, representatives of the corporations who will be in thorough touch with the local situation, which we can not possibly handle through our Department of State, or even through our Department of Commerce, with the small appropriation we have for foreign investigations. The idea of these corporations is to have men in all these centers who will be thoroughly familiar with trade conditions, so that we can have a real market, based on that type of investigation, which will make possible discovering just such conditions as the Senator mentions. I think the prospect of these corporations being generally formed is very good.

Mr. FRELINGHUYSEN. Mr. President, may I ask the Senator a question before he takes his seat?

Mr. EDGE. I yield.

Mr. FRELINGHUYSEN. Does my colleague understand that through the War Finance Corporation the export of cotton and wheat to Germany is to be financed?

Mr. EDGE. I understand that the joint resolution which the Senate is now considering does not limit the activities of the War Finance Corporation to any particular type of commodity.

Mr. FRELINGHUYSEN. Incidentally, it will furnish credit to Germany; will it not?

Mr. EDGE. It will have the opportunity to do so.

Mr. FRELINGHUYSEN. Yes.

Mr. EDGE. I see nothing, as far as I understand, to prevent it.

Mr. FRELINGHUYSEN. It might be interesting to the Senate to note an analysis which was made by a writer for one of the financial trade papers of New York. As part of a long statement, there is included this information:

Before the war \$12 out of \$22 of our European export balance was owed by Britain. Her share has fallen in 1920 to less than \$9. The weakest book debts in Europe are now ours. Our exports to Germany are growing by leaps and bounds. With the mark at less than 2 cents, why should a corporation of the United States Government, formed to prosecute a war against Germany, finance export to that country which increases by leaps and bounds? German faith aside, do we propose to finance, through our export trade, a treaty which has not yet assumed the form of a definite obligation for the repayment of money?

Mr. EDGE. That is very pertinent?

Mr. McLEAN. Mr. President, the question just propounded by the senior Senator from New Jersey [Mr. FRELINGHUYSEN] brings up a very important subject, and one that I do not believe can be handled by a discussion of this joint resolution; but I hope it is one that is being seriously considered by the administration at the present time.

With regard to the pending measure, I must agree with the sentiments expressed by the junior Senator from New Jersey [Mr. EDGE]. I am rather surprised, however, that he should take the position that he does against the pending measure, because, as I understood from the remarks of Senators on the other side of the Chamber the other day, the first section of this joint resolution is one that would greatly encourage the formation of these finance corporations. My impression is that it will aid, rather than injure, the organization of these corporations. You will remember that the Senator from New Jersey urged his bill a year ago as an emergency measure, and properly so. I think the bill passed on December 24, 1919; but, if my information is correct, the only corporation that has been formed up to date under that bill is one with a capital of \$6,000,000. Meantime, this country in some way has succeeded in exporting to Europe over \$6,000,000,000 worth of goods.

With some misgivings I am willing to support the first section of the joint resolution. I do this because it is something that we have already done. It is a temporary matter. It is in the line of legislation that has already been written upon the statute books. It is fairly drawn. It does not undertake to deceive anyone, and my hope is that it will do a little good. We all know that what the farmers need to-day and what everybody needs who has goods to sell is a market; and anything that we can do to help market those goods at a reasonable price—many times at a loss, no doubt—we ought to do. But I rose for the



purpose of saying that while I can support section 1 of this joint resolution with some misgivings, I can not vote for it if section 2 remains in it, for that is clearly deceptive.

We have no right to direct an administrative officer of this Government to do something which we know he can not do; and the very preamble of the joint resolution commits Congress to the proposition that it can not be done. I read it:

Whereas the banks of the country are unable to extend credit to the farmer in order that the farm products may be held until they can be sold in a fair and reasonable market.

We here declare that the banks can not do this, and yet we order the Federal Reserve Board to do it, without providing for an additional dollar to the reserves. It is not fair to the Federal Reserve Board. It is not creditable legislation.

If section 2 is enacted, the press of the country will immediately publish the fact that Congress has directed the members of the Federal Reserve Board to do all that is necessary to permit the banks of the country to extend liberal credits to the farmers at the lowest possible rate of interest.

The first farmer that applies for a loan will be told by the banker that he does not care what Congress has done, he can not lend money that he has not got, and no law can compel him to do it. The farmer will be recommended to wait upon the Federal Reserve Board; and then the representatives of the farmers will come to Washington, and they will want to know of the Federal Reserve Board why it is that the banks are not supplied with money whereby they can extend liberal accommodations to the farmers at the lowest possible rate of interest. The members of the Federal Reserve Board—I should if I were a member—will say to these men representing the farmers, "If Congress was acting in good faith when it passed that law, then you had better go to Congress. We are in precisely the same situation that the member banks are. We have not got the money." The next thing they will do will be to come to Congress, and they will inquire of the authors of this joint resolution whether or not they were acting in good faith, and of course they were. The Senator from North Dakota [Mr. GRONNA] never acts otherwise; neither does the Senator from Nebraska [Mr. NORRIS]. The Senator from North Carolina [Mr. SIMMONS] says we have plenty of money; so does the Senator from South Carolina [Mr. SMITH]. They are all acting in good faith; and if we have plenty of money, then why not produce it? The next step in the program will be to raise the money.

Mr. SIMMONS. Mr. President, I think the Senator places somewhat of a misconstruction upon the meaning of the language which he read from the preamble of the joint resolution. Properly interpreted, I understand that to mean that in the conditions which have been created by the restriction of bank credits under the policy of the Federal Reserve Board, the banks are not able to furnish the money to finance these exports; not that the banks have not the money, but that the money is not available upon the security which the farmer is able to give.

The Senator will remember that some time during the middle of the summer, just before this disastrous slump in the South began, the Federal Reserve Board promulgated a rule of credit, and that rule of credit greatly restricted the credits which the banks had theretofore been giving, especially credits given to the farmer. One of its fundamental propositions was that the member banks would not be permitted to discount paper in the Federal reserve banks given for the purpose of enabling the withholding of crops from the market. By reason of that order, when a member bank is asked to lend a farmer money for the purpose of enabling him to withhold his product temporarily from the market in order to make better marketing conditions and to save himself against the loss incident to selling his product for one-half the cost of production, the bank says to him: "We can not lend you the money, although we may have a superabundance of money, because in case of an emergency, to meet our own obligations, we can not take the paper which you offer us to the Federal reserve banks and have it discounted." By reason of that restriction, the banks, though they may have the money—those in the South do not have it, but the Federal reserve banks in other sections have an abundance of money—though they may have ever so much money, they can not use that money to make advances to member banks that have discounted farm paper.

That is what the language means. The banks are not able to furnish the credit, because they are not able to discount the paper which they have taken for the advances they have been asked to make or have made.

Mr. McLEAN. Mr. President, if this preamble could be accompanied by the speech of the Senator from North Carolina, it might satisfy the farmers of his State; but it would not

satisfy the farmers of my State, because they, when they read a law, go by the language of the law, and I think we have to do that in this case in conjunction with the statement of the governor of the Federal Reserve Board, who told the Committee on Agriculture and Forestry that the reserves of the Federal Reserve System would not permit—

Mr. SIMMONS. Does not the Senator think we can interpret the meaning of that language in the preamble with a view to conditions which actually exist, restricting credit and disabling banks from advancing money which may be necessary for the purpose sought to be accomplished?

Mr. McLEAN. The Senator from North Carolina knows that the members of the Federal Reserve Board have no authority over the conduct of the business of the member banks.

Mr. SIMMONS. The Senator knows that, of course; but the Senator knows, on the other hand, that the Federal Reserve Board have a perfect right to prescribe to the Federal reserve banks the policy which they shall pursue.

Mr. McLEAN. And the governor of the Federal Reserve Board says that he has done that to the best of his ability for the purpose of conserving the reserves of the system to accommodate the legitimate commerce of the country.

Mr. SIMMONS. If he has done it to the best of his ability, he has done it in a way that has paralyzed the ability of the member banks in the agricultural sections of the country to accommodate the farmers in their effort to protect their products from a sacrifice.

Mr. McLEAN. If that is true, then we must in some way direct the governor of the Federal Reserve Board, or the members of that board, to change their policy. This act does not do that. On the contrary, it says it is to be in accordance with the law as it is to-day, and they tell you that as they interpret that law they are doing all that can be done, that they have to have more funds.

Mr. SIMMONS. Does the Senator contend that there is anything in the law as it exists to-day that requires the Federal Reserve Board to promulgate a policy of the kind I have indicated?

Mr. McLEAN. Certainly.

Mr. SIMMONS. They can change that policy and still be within the law, and the suggestion intended to be conveyed in that language of the preamble is that it is the opinion of the Congress that the Federal Reserve Board ought to modify that policy in the interests of agriculture.

Mr. McLEAN. Then you must put them in a position where they will be able to do it.

Mr. KING. Will the Senator from Connecticut permit me, for information, to propound a question to the Senator from North Carolina apropos of the statement he just made? If the Senator from North Carolina will answer it, I shall be very glad if the Senator from Connecticut will yield.

Mr. McLEAN. I yield for that purpose.

Mr. KING. Does the Senator from North Carolina think that it is the duty of the member banks of the Federal reserve, or State banks, or private banks, to loan millions and hundreds of millions of dollars to farmers and stock raisers, in the face of falling markets, upon grain, and sheep, and cattle, and that the Federal Reserve Board should direct its members to make loans aggregating hundreds of millions, in order that the farmers may hold their grain and their other products in the face of the falling markets until, in the language of this joint resolution, they are permitted to sell them in a fair and reasonable market?

Mr. SIMMONS. Mr. President, I do not understand that the bank of the country are unable to extend this credit to the farmers if they are permitted to do it in a safe way, and a safe way to them is under conditions where they can, in case of emergency, rediscount the paper which they take.

If the Senator asks me the question whether, as a matter of public policy, the banks of the country should come to the relief of the farmers in this situation, I answer him, unequivocally, that as far as they are able with safety to themselves, as a matter of public welfare and public policy, they ought to extend to the farmers, in the conditions which we have now, all the credit that they possibly can safely extend to them. The Senator would not contend, I imagine, that it is in the interest of the country that the great agricultural products of this country, made at the highest price at which any crop was ever made in this country, shall be thrown upon the market and sold for one-half of the cost of production. Does not the Senator see that that policy and that course would mean the inevitable ruin of the farming element of this country, which constitutes probably a little more than one-half of our population?

Does not the Senator know that in the agricultural sections of this country every business interest, the banking interests,

the manufacturing interests, the commercial interests, depend upon the prosperity of the farmer; and can he not see that if the farmer is compelled to sell his products at one-half the cost of production, at the same time it pulls down the farmer that it will drag down every other legitimate business in the section of the country in which agriculture predominates? Does not the Senator, in the face of a situation of that sort, believe that it should be the policy of this Government, the policy of the financial institutions of those sections and of the whole country, to help the farmer, and in helping the farmer help the business situation in this country against such a disaster as would befall it inevitably in case the farmers are forced to sell their products for one-half what they cost to produce?

Mr. McLEAN. I am glad to know that the Senator from North Carolina is fast becoming a good protectionist.

Mr. SIMMONS. I beg pardon; I did not hear the Senator's remark.

Mr. McLEAN. I am glad to know that the Senator from North Carolina believes in protecting the producers of America against the ruin of foreign competition and provide a market for our home products.

Mr. SIMMONS. Mr. President, I am not advocating any such policy as the Senator indicates. I am advocating simply the policy of allowing the banks, not forcing the banks, but allowing the banks, as far as they are able, to help the farmer out in this situation. The Senator says I am attempting to protect by that policy the home producer against the foreign competitor. I can not understand the question, if the Senator will pardon me. I can not see its application to the situation we are discussing.

Mr. McLEAN. If I was mistaken, I am sorry. I withdraw the suggestion.

Mr. KING. Will the Senator yield to me for a moment? I apologize for trespassing.

Mr. McLEAN. I did not intend to occupy more than three minutes. I shall finish very soon now, I will say to the Senator from Utah. I would like to confine the consideration of the joint resolution in the minds of the Senate to section 2.

Mr. NORRIS. Mr. President, may I interrupt the Senator to say that I have been waiting for an opportunity to get the floor to offer, on behalf of the committee, a substitute for the second resolution, and if the Senator will permit I will offer it now, and he can discuss that substitute?

Mr. McLEAN. I shall be glad to have the Senator send it to the desk and have it read.

Mr. NORRIS. For the information of the Senate, on behalf of the Committee on Agriculture, I will say that at the proper time this substitute for resolution No. 2 will be offered.

Mr. BORAH. Let it be read.

The VICE PRESIDENT. The Secretary will read.

The Assistant Secretary read as follows:

Sec. 2. That it is the opinion of the Congress that the Federal Reserve Board should take such action as may be necessary to permit the member banks of the Federal Reserve System to grant liberal extensions of credit to the farmers of the country, upon the security of the agricultural products now held by them, by permitting the rediscounting of such notes of extension at a fair and reasonable rate of interest.

Mr. McLEAN. As I understand the amendment, it withdraws the direction and merely expresses an opinion of Congress?

Mr. NORRIS. That is correct.

Mr. McLEAN. Well, Mr. President, it seems to me that when the Congress of the United States reduces itself to the practice of enacting legislation, preceded by long preambles and resulting in the expression of an opinion merely, we had better be engaged in some other business. I was not brought up to believe that that was the right way to legislate. It makes the situation worse instead of better, and it is a confession on the part of the authors of this bill that section 2 is ridiculous and would result in serious inconvenience for its authors before they get through with it. The farmers of the country are entitled to be told the truth, and we must act in good faith, and when they come here and want to know why the Federal Reserve Board can not furnish what, in the opinion of Congress, is necessary, they will be told that we have not furnished the money; and we must do it or stultify ourselves.

Mr. THOMAS. Mr. President, does not the Senator think that in this instance the opinion of Congress is apt to be less dangerous than the mandate?

Mr. McLEAN. If we pursue this course of legislation, it will be.

Now, Mr. President, we may as well tell the whole story; it is very short. No banking system can be devised which will save and protect from loss the producers of a great country like this on a rapidly falling market. We have heard much from

the other side of the Chamber about this new banking system; that it is the greatest constructive piece of legislation since the Constitution of the United States; and some of them wonder why we drag in the Constitution when that law is mentioned. Some of us opposed it on the ground that while the system is much better than the one which preceded it, it is not nearly as good as it would have been if the gentlemen responsible for it had been willing to take good advice.

I am not going to criticize the system. I want it to succeed. But I want to say that there was not an expert or recognized authority who appeared before the Committee on Banking and Currency who did not warn the committee that if this system was constituted of more than five banks it would lead to precisely the situation which has presented itself here.

Moreover, Mr. President, there was not an authority or an experienced banking man who appeared before that committee, if my recollection is correct, who did not tell us that one bank would be much stronger and more effective than more. Right here I want to call the attention of the Senate to a statement of the governor of the Federal Reserve Board bearing upon this subject. It was, in substance, that the committee must remember that this is not a central banking system; that it is composed of 12 banks, each independently managed, over which members of the Federal Reserve Board have only limited authority, and we have a situation now which might well have been anticipated, where every one of those banks is trying its best to conserve its reserves against trouble.

Mr. GLASS. Mr. President—

The VICE PRESIDENT. Does the Senator from Connecticut yield to the Senator from Virginia?

Mr. McLEAN. I yield.

Mr. GLASS. The Senator indicates that the proponents of the Federal Reserve Banking System were unwilling to take advice. That might better be determined if the Senator would indicate what advice was rejected.

But right at this point I want to call his attention to the fact that the most strenuous objection urged from the other side of the Chamber to Federal reserve legislation was urged by the distinguished senior Senator from New York, Mr. Root, who contended that the bill as considered provided ample facilities for inflation, with no facility for contraction. Now, however, when that very facility for contraction, which was pointed out, is exercised by the board, Senators on the other side of the Chamber, as well as Senators on this side, complain of the fact and want to break down that very instrumentality of safety. If the Senator will indicate what advice was rejected, I will undertake to show that it was bad advice.

Mr. McLEAN. The Senator is entirely correct in his statement that the very men who a year ago were appealing to Congress, sending resolutions to the Committee on Banking and Currency, inquiring why some way could not be devised to deflate the currency and reduce prices, are now here expecting Congress and beseeching Congress to start the ball going in the other direction.

Mr. GLASS. The Senate itself, as the Senator knows, passed a resolution of implied censure of the board, demanding to know why it did not put into operation the facilities at its command for a contraction of the currency and for a mobilization of credits for the crop-moving period.

Mr. McLEAN. I wish to say to the Senator from Virginia that the very incidents which he has cited here ought to warn us against trying to compel the members of the Federal Reserve Board to do what a year ago we ourselves said they must not do—consent to any further inflation of the currency.

Mr. SMOOT. Mr. President, I have here the last statement, issued on December 1, 1920, by the Treasury Department, showing the circulating medium of the United States for the different years—

Mr. McLEAN. If the Senator has a long statement, I would rather he would not interrupt me at this time.

Mr. SMOOT. It is not a long statement. I simply want to say that the circulating medium of our country on December 1, 1920, was \$8,281,659,486, a per capita for every man, woman, and child on that date of \$59.41, whereas on December 1, 1919, the per capita circulation was \$55.61. So there has not been very much contraction in the circulation of our currency.

Mr. SIMMONS. No one has suggested that there is any scarcity of money in this country. There is more money than there ever has been. There is more money than last year when everybody's pockets were bulging with money, because since then our excess of exports has been two or three billion dollars, and that has brought in additional money, and I know of no particular way in which money has gone out. There is an abundance of money; no one questions that at all in this country.



But the difficulty here is that by reason of the policy pursued by the Federal Reserve Board with reference to credits on farm products the banks in the agricultural sections are not able to rediscount the paper which they took.

Mr. SMOOT. I will not take the time of the Senator from Connecticut [Mr. McLEAN] to answer, but I thank the Senator for yielding.

Mr. GLASS. Mr. President—

Mr. McLEAN. I yield to the Senator from Virginia.

Mr. SIMMONS. I had not finished. Does the Senator from Connecticut desire to take me off the floor before I have finished?

Mr. McLEAN. I beg the Senator's pardon; I thought he had finished.

Mr. SIMMONS. I beg the pardon of the Senator from Virginia.

Mr. GLASS. I supposed the Senator from North Carolina had finished.

Mr. SIMMONS. The Senator says that we have heretofore indicated the will of Congress that there should be some deflation in the currency and that there should be some reduction in the high prices that existed during the war and for a long period after the war. Undoubtedly that is true. No one is objecting to a moderate policy of deflation; no one is objecting to the banks doing a thing that will tend to reduce prices and not utterly destroy values.

The point that we make, the crux of our position, is that the Federal reserve banks, in endeavoring to put into operation a policy which in the main is correct, have made it so drastic as it applies to a particular class of interests in the country that if it is persisted in it means their ruin. There is a difference between the policy which gradually deflates, deflates all along the line, where there is a balanced fall in prices, and a policy which contracts prices or deflates prices as to one particular element of the people unequally and is unbalanced in its deflation of prices as to the others, in the first place; and in the second place, they are inaugurating a policy of deflation which is so drastic as applied to a particular class that it means destruction.

Now, the Senator says that we have no right to express even an opinion about this matter. We would not have a right in my judgment to express an opinion to the board that it ought to disregard the letter of the law; but there is a very marked difference between the rights of the Congress and the people to express an opinion with reference to a policy pursued under the law and the matter of disregarding a law. All the people combined have not a right to direct an agency or department of the Government to violate or disregard the law. Their remedy, if that is necessary, is to amend or repeal the law through their legislative representatives. But when you have a policy being pursued by an agency or department of the Government with reference to a question in which the whole people of the Union are interested, is it to be said that the people have no right to express their opinion as to the wisdom of the policy and as to the effect of the policy?

Mr. McLEAN. Not at all. Will the Senator permit me—

Mr. SIMMONS. But we do not contend and it is not contended here and it is not proposed here that the board violate it in any way. It is simply proposed here, if the Senator from Connecticut will pardon me, that we express our opinion as to the policy which the board has adopted with reference to certain drastic restrictions of credit.

Mr. McLEAN. Certainly not. Will the Senator permit me—

Mr. SIMMONS. We, as representatives of the people, have a right to express an opinion upon that as to whether it is wise or unwise, whether it is sound or unsound.

Mr. McLEAN. I have conceded all the Senator has asked, and now I wish he would allow me to proceed. There is no reason why Congress should not express an opinion. What I say is that when that opinion is expressed, and it is followed by a recommendation or direction to an administrative officer of the Government, we are acting in bad faith unless we put that officer in a position where he can respond to the opinion of Congress. That is all I meant.

Mr. GLASS. Mr. President—

Mr. McLEAN. If the Senator from Virginia will pardon me, I would like to reply to the Senator from North Carolina.

Only a few days ago the governor of the Federal Reserve Board appeared before the committee on this very subject. He is a very candid man, and in my opinion a very honest and able man. I believe he has done the best that he could do under the circumstances to save conditions and conserve the resources of the new banking system for the benefit of the legitimate commerce of the country. That is my belief. In any event, that

is his opinion, stated to a congressional committee not a week ago, that it is impossible for him to do anything unless Congress puts it within his power to do it. Now, it is not only ridiculous, but we are acting in bad faith when we direct him to do what he told us a week ago can not be done unless we furnish the money and amend the law so that it can be done.

Mr. GLASS rose.

Mr. McLEAN. I will finish in a very few minutes. Unless the Senator from Virginia wishes to ask me a question, I would like to continue.

Mr. GLASS. I think, if the Senator will permit me, it might be useful to put in the RECORD right now the facts, in contradistinction to the theories that are being advanced here.

Mr. McLEAN. I would be very glad to have them.

Mr. GLASS. The Senator from North Carolina [Mr. SIMMONS] asserts the right of the Senate to express an opinion and I concur; but I contend that when we express an opinion it should be based upon facts and not upon imagination.

This talk about the drastic curtailment of credit and the contraction of credits and currency has no foundation in fact. Let us see what are the facts as opposed to the theories.

The Richmond Federal reserve bank, the bank of the fifth district, situated in the tobacco-growing section of the country and responding to the demands of commerce and of agriculture and industry in the section of the Senator from North Carolina [Mr. SIMMONS], is so far extended in its credits as that it, as other banks in the agricultural regions, had to avail itself of that provision in the law which permits one Federal reserve bank to rediscount its paper with other Federal reserve banks. Whereas the Richmond bank had outstanding rediscounts to the extent of \$99,000,000 on November 20 of last year, this year it has rediscounts amounting to \$122,000,000. So there is no contraction there. There is an expansion of credit to the extent of \$23,000,000.

Take the St. Louis Federal reserve bank, responding to the requirements of that other great tobacco-growing section of Kentucky, with a branch at Louisville. There has been no contraction of credits or of currency in the St. Louis district. On the 20th of November of last year its rediscounts amounted to something like \$64,000,000; on the 20th of November of this year they amounted to \$134,000,000, an excess of credits over last year of \$70,000,000.

Mr. POMERENE. What year? The Senator stated \$134,000,000, but did not state the year.

Mr. GLASS. November 20 of this year.

Take the Atlanta bank, situated in the cotton belt, and let us see if there has been any drastic curtailment of credits or currency there. The Atlanta bank had loaned in November of last year \$108,000,000; in November of this year \$180,000,000, and increase of \$72,000,000, or 80 per cent, in the expansion of credit.

Take the Federal reserve bank of Dallas, in the cotton belt. Last year it was rediscounting \$44,000,000. On the 20th of November, this year, it was rediscounting \$104,000,000, more than 100 per cent of expansion and not one dollar of contraction.

Take the Federal reserve bank at Chicago, in the great cattle and grain-growing region of the country. Its rediscounts last year were \$234,000,000, and its rediscounts on the 20th of November of this year were \$455,000,000, an increase of \$221,000,000.

At Minneapolis, in the grain-growing and flour section of the country, the rediscounts advanced from \$54,000,000 last year to \$112,000,000 this year, an increase of over 100 per cent, or \$58,000,000.

And so on down the list. So, when you talk about a drastic curtailment of credits—

Mr. POMERENE. Mr. President, I wish to ask the Senator if he can give the figures of the bank at Kansas City; I think it will carry out the same idea.

Mr. GLASS. That I intended to do.

Mr. BORAH. Also of the bank at San Francisco.

Mr. GLASS. Yes. The bank at Kansas City on November 20 of last year had rediscounts amounting to \$98,000,000 and on the 20th of November of this year it had rediscounts amounting to \$146,000,000, an increase of \$48,000,000.

At San Francisco the rediscounts last year, on November 20, were \$93,000,000, and this year, on November 20, were \$154,000,000. There has been no drastic curtailment of credits or of currency there.

If the Senator from Connecticut will yield me just a moment further, I will point to the fact that the deposits of the New York banks have been reduced in this period of control, not of contraction, \$1,400,000,000, which represents, as the Federal Reserve Board conjectures, the withdrawal of deposits from interior banks and the extension of not only that amount of

credit to the agricultural interests of the country, but a supplemental amount aggregating over \$3,000,000,000.

Any sane man here or anywhere else is obliged to sympathize with the agricultural interests in the existing situation and to do anything that he may to relieve that situation; but I concur altogether with the Senator from Connecticut [Mr. McLEAN], the chairman of the Banking and Currency Committee of the Senate, when he says that we should be frank about this matter and not, to use a vulgarism, "pass the buck" to another body. If we want to do something for the farming interests, let us do it and let us not engage in this sort of pantomime. It reminds me of an amusing performance of Col. Mulberry Sellers I witnessed at a theater when I was a boy, where the player of the title rôle lighted his tallow dip and stuck it in the stove in order that his visitors might see the glow of the flame and imagine that they were warm in an atmosphere of zero. That is called psychology, and that is all we are proposing here when we imply this criticism of the Federal Reserve Board and pretend thereby that we are doing something to aid the agricultural interests of the country. We are doing nothing of the kind.

Now if I may, merely in a moment, say it while I am on my feet—and it will save another appearance—I have no very grave objection to the revival of the War Finance Corporation. It may have, momentarily, a wholesome psychological effect. It may save some interests, not alone the agricultural interests, from the rapacity of some money sharks, of which there are many; it may do some good. It was for that reason that, while Secretary of the Treasury, I protested against the discontinuance of its activities when the chairman, Mr. Meyer, wanted to take his hat from the peg and go home; but the effect will be merely psychological; that is all. Not an American farmer will be enabled to borrow a dollar which he may not now borrow.

The other section of the joint resolution is not based upon an intelligent comprehension of the real facts, and the Senate will do itself discredit to imply a criticism of the Federal Reserve Board, when it has only theory and opinion to present in opposition to actual facts and the truth.

Mr. McLEAN. Mr. President, I will say to the Senator from Virginia that section 2 of the joint resolution reminds me of the comment of a distinguished foreign ambassador upon taking his first drink of grape juice. He said, "It looks good, and it tastes good, but it does not accomplish anything." [Laughter.] I am ready to admit with the Senator from Virginia that the farmers are suffering losses; their injury is great. The only thing that I want to prevent is the addition of insult to that injury; and that is what section 2 will do unless we provide the ways and means, and that is not easily done.

We are in a similar situation to-day that we were in 1865. Congress then, by an almost unanimous vote, agreed to stand by Hugh McCulloch, then Secretary of the Treasury, in his efforts to deflate the currency; but then, as now, the pressure came on, and after the panic in England and prices started downward here, the same influences came to Congress and said, "This will not do." So they started the printing presses to work, just as we can do now. We can make Federal reserve notes legal tender, and we can postpone the day of wrath a year or two, but when it comes it will be very severe, as it was in 1873.

I wish to say to the Senator from South Carolina [Mr. SMITH] that the conditions are serious, and I am as willing as anyone to do anything that will result in actual assistance to the producers of the country, but I repeat that no banking system can be devised that will prevent loss on a rapidly falling market.

The American people have for several years enjoyed a sellers' market. For four or five years 95 per cent of the American people have had something to sell, either in brains or manual labor or goods or credit—I think 98 per cent of them have—and the going has been good. We were advised two years ago—we advised ourselves, and the advice was good—that the way out of this dilemma was to gradually reduce prices. I had the temerity to say then that a sudden and rapid reduction of prices was the worst thing that could happen in this country. It increases our national debt, for one thing. The national debt was contracted on purchases of war supplies at war prices, and must be paid by goods measured in dollars. When you cut the price of goods in two you require just twice as many days of labor to produce a dollar's worth of goods as before. It is not a pleasing thing to contemplate, but of the \$5,000,000 or 98,000,000 people who had things to sell two years ago not one of them reduced by the fraction of a mill the price of the article in which he was interested. That was the trouble.

A few months ago it occurred to the American people that they were consumers as well as producers; but even then they were not willing to go the long and safe way home; they went across lots, through the ditches, and over the fences and organized a consumers' strike, which swept the country like a contagion. Nobody would buy anything.

Now, I should like to have the Senator from North Carolina suggest a remedy that is practicable. The farmers, of course, get hurt first and last. A manufacturer can suspend his operations for a season, but the farmer who suspends for a season usually suspends for good. If, however, we are going to help him, let us do something more than express an opinion or direct an administrative officer of the Government to do something which he has told us in advance he can not do and which we know he can not do. From 1865 to 1873 the American people tried to make gold out of paper, but they found they could not do it, and I do not believe it is worth while for us to repeat that experiment.

Mr. KING. Mr. President, will the Senator permit an inquiry for information?

Mr. McLEAN. Yes.

Mr. KING. Assume that this joint resolution will pass in its present form and that the Federal Reserve Board shall attempt to carry out the spirit of the resolution and rediscount the paper which may be tendered by the member banks, and suppose that the member banks are inclined to grant still further credits to the farmers and to the stock growers and to other persons, keeping in mind the fact that most of the banks now are below their legal gold reserve—Federal banks as well as State banks—I want to ask the Senator how if we should loan \$1,000,000,000, \$2,000,000,000, or \$3,000,000,000 more through the State banks and Federal banks we would get the money for a proper reserve in the various banks? Where are we going to get the gold?

Mr. McLEAN. Does the Senator ask me where are we going to get it?

Mr. KING. Yes.

Mr. McLEAN. It can not be had. The Senator knows that as well as I do.

Mr. KING. Exactly.

Mr. McLEAN. We could land right where Germany is if we follow that policy to its legitimate result; we could issue fiat money.

Mr. KING. Then, how are we going to extend still further credits along the lines indicated by the joint resolution if our gold reserve now is depleted?

Mr. McLEAN. We can not do it; that is the point I am trying to make.

Mr. KING. That is exactly what I am trying to elicit from the Senator.

Mr. McLEAN. It is a physical impossibility, unless Congress takes the money out of the pockets of the people in taxes and buys more gold, if it can be bought. I do not know that it can be.

Mr. KING. It would follow, then, as I apprehend the Senator's position, that we would be compelled to resort to taxation to raise more money in order to meet the credit which is to be extended?

Mr. McLEAN. We could issue more bonds possibly and sell them and get money to buy more gold to replenish the reserves; but that has got to be done. I say that Congress, if it intends to do anything but deceive the farmer, should do the necessary thing. What the farmer needs is a market for his goods. He may think he wants extended credit, but my impression is that he needs a market. I think most of the farmers would be willing to sacrifice on their goods to-day if they could sell them at a price, but they can not get the market. That is a very serious thing for us to consider.

I am willing to go as far as any other Member of this body in providing a market here or abroad for the products of this country; but, as I have said, that is a question that I have not time to discuss and consider in relation to the pending measure. It is a very serious question; it is to-day occupying the minds of the bankers of this country and of everybody else who is interested in maintaining the political and industrial sanity of Europe. I repeat, it is a very important subject, but it all looks to providing a market for the farmers' goods.

In 1914 Senators on the other side of the Chamber complained that the farmers of the South could not sell their cotton because there was not money enough, and there was something like \$480,000,000 issued under the Aldrich-Vreeland Act; but that did not help. I had the temerity to suggest to the Senator from Georgia [Mr. SMITH] at that time, as I think he will bear me out, that what the cotton growers needed was a market



for their cotton. They held a conference; they decided that what they needed was a market; and they organized a finance corporation of some sort in the South, with a capital of \$100,000,000, to furnish credit to the growers of cotton; but I think the Senator will bear me out when I say they did not use \$30,000 of that \$100,000,000, because the market came along. Whether the farmers of the West want credit, want to go in debt still more extensively to hold their products, I do not know, but I do not think they do. I think they would much prefer to be provided with some kind of a market for their goods; and I think Congress ought to do everything it can, not to enable them to hold their goods expecting to make a profit that may be impossible, but to furnish some sort of a market.

Mr. SIMMONS. Mr. President, just one word further.

With reference to the fall in prices to which the Senator alluded a little while before he concluded his remarks, I think it should be borne in mind that the farming element of this country is about the only industry that in case of a sudden and disastrous slump in prices, such as took place in September of this year, can not in any way protect itself without assistance from the banks. The farmers have to take whatever price may be offered them. They are practically the only part of our people who have to do that, and they have not been able to prevent any degree of depreciation in the market price of their products that the purchasers of those products saw fit to demand. These purchasers have absolutely fixed the prices for the farmers. The farmers have been absolutely unable to protect themselves against this rapid decline. On the other hand, practically every other industry in this country has inherently possessed the power of protecting itself to some extent, and we have witnessed in this country the very anomalous spectacle of wholesale merchants throughout the country holding their products up to high prices after the prices of those products in other sections of the country had gone down.

We have seen manufacturers in this country holding up the prices of their products against this pressure on the part of the credit situation, and they are doing it to-day. They have suffered a loss to some extent, their prices have been reduced to some extent, but they have been able to protect themselves against a disastrous and a ruinous depreciation. So that the situation of the farmers is clearly different in that respect from the other industries of the country.

Now, I want to direct my attention to the statistics given by the Senator from Virginia [Mr. GLASS].

The statistics which the Senator from Virginia read were from November of last year, 1919, to November of this year, 1920. If the Senator had been able to segregate the credits that have been granted by these banks from the middle of September up to the 1st day of November his statistics would have been pertinent and illuminating, but he does not do that. He gives us the credits of the banks extending from November of last year to November of this year.

Mr. President, the order of the board of which we complain, the order which we say brought about this contraction in credits which has been so ruinous to the farmer, was made, if I remember correctly, in the middle of September, just about six weeks before the termination of the period for which the Senator gave statistics a minute ago. Up to that time a different policy had been pursued by the Federal reserve banks and the member banks, with the consent and acquiescence of the Federal Reserve Board. Up to September of last year credits were granted liberally—not only liberally, but generously—to every industry and for every purpose. Speculation was rife throughout the country, and especially in the South—speculation in lands, speculation in stocks, speculation in automobiles—and there was no difficulty in borrowers going to the banks and getting all the money that they wanted for 10½ months of the period to which the Senator refers.

Again, Mr. President, up to that time the farmers of the South and of the West had no difficulty in getting all the money they wanted. They planted larger crops because of the supposed world demand for their products. They cultivated those crops at a cost a third, probably more than a third, higher than the cost of the crops of the preceding year. The banks in that section were liberal in extending to them all the credits that they needed for the purpose of making this great crop at these high prices. It was during that period, when the cost of the farmer's operations was so high, when credit was so liberally extended for every other activity in which our people were engaged, that this large extension of credit was granted to the farmer.

But just as that crop was finished, just as that crop was ready for market in September came this order of the board restricting loans made to farmers for the purpose of holding their crops or for the purpose of financing their crops, and

during that period the trouble was made. During that period I undertake to say that the credits extended were nothing like commensurate with the credits extended during a like period of the preceding year.

In confirmation of my statement here, and the statement of my colleagues from South Carolina and Georgia and Alabama, that the farm products of the South are to-day selling for less than one-half of the cost of production, I ask any Senator from the South who lives in an agricultural part of it, who is in close touch with the agricultural interests of that section, if that statement is not correct?

I again propound an inquiry to them with reference to the extension of credits. I want to ask that group of Senators who represent the agricultural interests of this country whether in the South or in the West the statement I have made is not correct, that beginning some time in September, about the time we began to market our crops of grain and cotton and tobacco, there was suddenly a restriction upon credits—not a moderate restriction, not a restriction calculated to bring down prices upon a gradual, sliding scale, prices of agriculture, prices of manufacture, prices of mines, and prices of forests—but immediately following that order there was a sudden cessation of this liberal credit that the banks had been extending all during the period when those crops were being made and being harvested?

Mr. GLASS. Mr. President—

Mr. SIMMONS. I ask that question of any Senator from the agricultural part of the country who disputes that as a fact, because the Senator from Virginia has said we are not talking about facts here; he says we are talking upon a phantom basis; and yet the facts upon which I rely are twofold: First, that the farming products of this country have slumped one-half, while the other products of this country probably have not slumped more than 25 per cent; secondly, that the contraction of credits of which we complain, especially as they apply to the farmer, began about the middle of September of the present year.

Mr. POMERENE. Mr. President—

Mr. GLASS. Mr. President, if the Senator will permit me, I have the figures for the very period that the Senator from North Carolina indicates, and they do not show anything of the kind.

Mr. SIMMONS. Then they represent loans made to others than farmers.

Mr. GLASS. As a matter of fact, the extensions in September are rather larger and show a greater difference than the extensions in November. I should be obliged to the Senator from North Carolina if he would define for us the order which he says has been issued by the Federal Reserve Board to curtail agricultural credits. There has been no such order.

Mr. SIMMONS. If I used the word "order," I probably was mistaken in the use of language. I meant the policy promulgated.

Mr. GLASS. The policy promulgated by the Federal Reserve Board was not a policy of restricting credits upon farm products. It was distinctly the contrary. It was an avowed policy of the curtailment of credits for nonessential things.

Mr. SIMMONS. That was a part of it.

Mr. GLASS. And nobody will say that the wheat grown by the farmer or the cattle fed or the cotton raised are nonessential things.

Mr. SIMMONS. May I ask the Senator if the Federal reserve banks were not advised against making loans based upon advances made to enable farmers to hold their crops from the market for a better price and better marketing conditions?

Mr. GLASS. To "hold" their crops! Now we are getting at the kernel of the whole proposition. The Senator would have the Federal reserve banking system—which had its very inception in the idea of accommodating commerce, a system intended to be responsive to the commercial requirements of the country—transformed into a speculative and investment banking system, not a system designed to aid in the purchase of goods and in the moving of goods, but a system designed to store goods, to keep them off the market.

If that is what Congress wants to do, if it wants to wreck the Federal reserve banking system and transform it from a reserve system into a system for investors and for speculators in commodities, it should have the courage to do that act of un wisdom in the open; but if it wants to maintain the existing system as a reserve system, always responsive to the commercial requirements of the country, why that it should do.

Mr. President, as I have pointed out, and as no Senator may gainsay, there has been no curtailment of credits. There has been an alarming expansion of credits. As I said a while ago, the chief assault upon Federal reserve banking legislation, when pending here, was the impressive contention of the

senior Senator from New York [Mr. Root] that it provided ample facilities for inflation and afforded no method of contraction. The answer made to that contention, not here, but elsewhere, was that the proposed legislation did furnish ample facilities for contraction; and among the facilities at that time cited was this very precautionary policy of the Federal Reserve Board. Now, when this facility is put into operation for the first time—and, if you please, Mr. President, put into operation at the suggestion of the United States Senate, which passed a resolution last May, curt in its tenor, directing the Federal Reserve Board to inform the Senate what it proposed to do to put a stop to this extravagance and this saturnalia of credit—it is sought here to subvert the original purpose of the law and we are asked to criticize the board for doing what the Senate itself called upon the board to do.

We ought to expunge this second section. It does no credit to the Senate. Perhaps it was not designed to inculcate a spirit of bitterness and of hostility on the part of the great agricultural interests of this country toward a banking and currency system, which literally saved those interests, as well as every other interest in this country, during the war and in this period of readjustment; but that precisely is what it would do, and the Senate ought not to be willing to array in hostility against this system the great farming interests of the country upon the groundless supposition that they have been denied credits when they have not been denied credits. The facts show that they have been extended an enormous amount of credit.

There was a time when we had a system under which neither credit nor currency might be obtained in such an exigency as that which now confronts the country; but happily that day has gone. We have a system now under which credits have been safely expanded. When a bank fails to-day it fails because it has been unwisely conducted; it fails because it has responded to demands which should have been rejected. That is clearly indicated in every press report of nearly every bank failure in this country.

If the distinguished Senator from North Carolina [Mr. Simmons] wants me to put in the Record the figures for September rather than those for November, I shall be glad to oblige him; I put him on notice, however, that his theory will no more be confirmed by the figures for September than by those for November.

It was intimated here the other day that at one time the angle of expansion for a brief period was 45 degrees, whereas the angle of expansion for a later and longer period was but 2 degrees. Mr. President, is there any sane human being who objects to the Federal Reserve Board putting a stop to the 45-degree angle, which meant ruin to the banking business of the country, ruin to the commerce and the industry of the country, irreparable ruin to the farming interests of the country? It meant that speculation was running riot, and the only criticism I make of the Federal Reserve Board in respect to that is that it did not begin to put a stop to commodity gambling soon enough. Had it done so, perhaps we should not have so far to fall. It let the situation get almost out of hand, and it applied the brakes none too soon. It did not apply them to the agricultural interests, as some Senators would have us believe.

The only suggestion of curtailment was as to nonessentials—automobiles, limousines, things of that kind. The day of reckoning for that sort of thing can not be escaped. It must come. I do not care how soon it comes; how soon I am compelled to have one automobile instead of two, or no automobile instead of one; or how soon other people less able to have any shall be deprived of the privilege of mortgaging their homes and their futures for this sort of thing. But there has been no "order" of the Federal Reserve Board circumscribing credits to farmers, and there is no commercial transaction of which I can conceive, or of which anybody else may conceive, which involves the legitimate purchase and movement of goods, which may not find accommodation, so far as the Federal reserve banks are concerned; not one.

Mr. McKELLAR. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Tennessee?

Mr. GLASS. I yield.

Mr. McKELLAR. I think the Senator is mistaken in one respect. The cotton factors of my section of the country have been deprived of rediscounts in the Federal reserve bank.

If the Senator will pardon me, I will state the service which the cotton factors perform. They are those who in the spring of the year lend money to farmers directly, taking usually a crop mortgage and such other mortgages as they can secure. They lend the farmers money for the purpose of making the crops. Later on they lend other moneys for the purpose of gathering

the cotton crop, ginning the crop, and marketing the crop, and when the cotton begins to come in, in the fall, the farmer ships the cotton to these factors, and the factors put their paper with the banks; and for the last eight years, under the rulings of the Federal Reserve Board, they have put their paper in the banks, secured by this cotton, as the very terms of the act provided, in my judgment.

Within the last 8 or 10 months those factors have been notified that they can no longer get credit, and they have denied that class of our people credit in the Federal reserve bank of which Memphis is a part, the St. Louis Federal Reserve Bank. That situation I know exists, and I wanted to call the Senator's attention to it while he was on his feet.

Mr. GLASS. Mr. President, of course I should have to familiarize myself with the facts in a case of that sort. But I adhere to the declaration that anybody engaged in a current commercial transaction, in the purchase and movement of goods, may get credit so far as the Federal reserve banks are concerned.

Mr. RANSDELL. Mr. President—

Mr. GLASS. Just a moment. It frequently happens that member banks of the system—and instances have come to my notice where nonmember banks have undertaken to shift responsibility to the Federal reserve banks for their own refusal to grant credit. Down in Virginia six weeks ago a bank which was not a member of the Federal Reserve System and had no right to accommodation at the Federal reserve bank, was denying credit to persons in its community upon the ground that the Federal reserve bank would not rediscount its paper, when it had no right to ask for the rediscount of its paper. A more intimate inquiry disclosed the fact that that very bank—and not a large bank, either—had \$136,000 loaned out for the purchase of automobiles, and it was undertaking to prejudice the Federal reserve banking system in the minds of the farming community in that section upon the plea that it could not get accommodation, when it was not even a member of the Federal reserve banking system and was entitled to no accommodation there. I have not the remotest doubt that there have been multiplied instances of bank officials, not having the courage or the character to refuse undesirable and unnecessary loans, undertaking to make it appear that the Federal reserve banking system had collapsed and could not function.

I yield to the Senator from Louisiana.

Mr. RANSDELL. I rose, Mr. President, to explain in some part a matter about which the Senator from Tennessee [Mr. McKELLAR] inquired. I happen to be very familiar with that matter. I was one of a delegation from the South which appeared before the Federal Reserve Board on or about the 19th of October for the purpose of asking them to correct the very matter which the Senator complains of.

It was a general rule which they had established, to limit the loans on these papers which the factors usually borrowed on, to the men who actually owned the cotton, and not to the factor to whom the cotton had been shipped. My understanding, I will say to the Senator from Tennessee, is that that practice was permitted to go on as usual; that the Federal Reserve Board, realizing the reasonableness of the request of these cotton factors, had permitted the banks to revert to the old system, which had been carried on so satisfactorily for many years past. I think the matter he complains of has been corrected.

Mr. SMITH of Georgia. The Senator is mistaken. They decline absolutely now to rediscount factors' paper. They require the factors to obtain the paper of each one of the individual farmers, and then limit the rediscount to that paper. They have broken up the whole of the system under which this business had been conducted.

Mr. RANSDELL. Perhaps I have been misinformed; but I will say to the Senator that I went there with a delegation from New Orleans, and, so far as New Orleans is concerned, I have heard no further complaint. I was told that it had been arranged satisfactorily and that they were allowed to get their advances as in the past. Perhaps I have been misinformed.

Mr. McKELLAR. Will the Senator yield to me to make a statement?

Mr. GLASS. Certainly.

Mr. McKELLAR. I have numerous letters from the Federal reserve district of which my State is a part, and especially from the cotton part of it, in which it is said that the Federal reserve bank there has refused to rediscount this paper. It has rediscounted it ever since the bank was established until a short time ago, and that curtailment of credits has suddenly been made. I think it is fairly within the contemplation of the present act, but they have denied that credit.

Mr. GLASS. Mr. President, this discord as to the facts and difference of view but illustrate the futility of the Senate of



the United States undertaking to conduct the detailed business, intricate in all of its parts, with which the Federal Reserve Board is charged.

I am unable to determine from the meager statement of the case here whether the board, if it has inhibited this paper, has done it within the requirements of the law. I have no doubt in the world that the board, in intimate communication with all the arteries of trade and with full information upon every aspect of the subject, is vastly better able to determine whether in an exigency or at a particular period it should grant certain sorts of credits.

Mr. RANDELL. If the Senator will permit just a very brief additional explanation—

Mr. GLASS. I yield to the Senator from Louisiana.

Mr. RANDELL. I, of course, can not say absolutely what has been done, but I will state that I went with this delegation before the Federal Reserve Board, with the Senator from Georgia [Mr. SMITH] and the senior Senator from Virginia [Mr. SWANSON], and I am under the impression that the Federal Reserve Board complied with our request. They told us that it was a general rule which had been established by them in November, 1919, giving a great deal of discretion in the matter to the various banks—not an ironclad rule, but a rule which gave discretion to the various Federal reserve banks. I think I am right when I say that the Atlanta bank, in which district New Orleans is located, has been permitting the old rule to prevail. I am not sure about the rule in the Memphis bank. I believe the Senator from Tennessee [Mr. McKELLAR] is in the St. Louis district?

Mr. McKELLAR. Yes.

Mr. RANDELL. I am not sure about it there, but I think it has been corrected in New Orleans.

Mr. SMOOT. Mr. President, will the Senator yield to me a moment?

Mr. GLASS. I yield to the Senator from Utah.

Mr. SMOOT. I think we ought to look at the situation just as it is. I objected on Saturday to casting any reflection upon the Federal Reserve Board. It is not right or proper to do so.

The fact of the matter is that every preceding year in our history, whenever the cotton crop, the wheat crop, or the wool crop has come upon the market, it has been sold and that money has gone to pay the notes that were held by the different banks in these sections, and when those notes were paid, of course, all of those banks had money to loan. In fact, every bank in the United States expected this year that those loans would be paid within a certain time. They were not paid. No wool loans were paid, very few farm loans, if any, were paid, and very few cotton loans were paid, and the banks were called upon to carry those loans instead of having them paid. Not only that, but the banks were asked for additional credits to enable them to carry on their business, and, of course, the banks did not have the money.

Mr. KING. To hold the products from the market.

Mr. SMOOT. As long as the products are held out of the market and are not sold, the banks that are holding the notes of the farmer and the woolgrower and the stock grower can not loan that money to some one else. We might just as well look at the situation as it is and not make any kind of excuse.

Mr. GLASS. Does the Senator think—of course, he does not—that the Federal reserve banks should be devoted to the policy of loaning money to hold goods for a higher market and to that extent withholding accommodations to people who may want to buy and sell goods?

Mr. SMOOT. No; and the Federal reserve banks will not do it unless Congress absolutely issues an edict that they shall do it, and if Congress did do that it would destroy the Federal Reserve System.

Mr. GLASS. Absolutely. I believe I do not care to say anything more on the subject. I am a little disposed to apologize for my temerity, being a new Member, in taking the floor at all.

Mr. SIMMONS. Mr. President, the Senator from Virginia has alluded to some matters in which I am interested, and I desire to reply to him. I wish to say to the Senator that I have no earthly objection to his putting in the Record as a part of his remarks the credits extended in the month of September and the month of October. I would be glad if he would do so.

I wish to say to the Senator from Virginia, who is in large measure the author of this Federal Reserve System, that I hold that legislation in as high esteem as he does. I think it is probably the best piece of financial legislation ever passed in this country. I think the Federal Reserve Board has saved the situation in the years during the war, and since the war, so far as that is concerned.

I do not at all question the wisdom of the administration of that board as a general proposition. I think it has been very

wisely and very justly and very sagaciously administered, but I do think in this particular instance about which complaint is made that the board has made a very serious mistake and one which is bringing great suffering to a large section of our country.

I agree with the Senator that the situation requires that the banks should issue an edict against further credits for speculative purposes, for buying automobiles, for buying real estate at fictitious values, for buying stocks that have nothing behind them probably except a prospect. I think that has been very beneficial to the country and I do not complain of it; but I do not want to put agricultural products into that category. I do not think that dealings in agricultural products could be classed as speculative, and I think there is the point at which the board deviated from the wise policy which it had pursued with respect to speculative ventures and with respect to our finances generally.

Mr. POMERENE. Mr. President—

Mr. SIMMONS. Just let me finish this and I will yield to the Senator in a minute.

Mr. POMERENE. I was just going to ask a question.

Mr. SIMMONS. Will the Senator just withhold it a moment?

Mr. POMERENE. Certainly.

Mr. SIMMONS. The Senator from Virginia [Mr. GLASS] insists that what we are demanding is that the Federal Reserve Board shall lend money for the purpose of holding the crops from the market.

Mr. GLASS. Mr. President, I took the words from the mouth of the Senator from North Carolina.

Mr. SIMMONS. I recognize that the Senator did, and the words used by me were technically erroneous. They do not accurately convey the impression or the thought that I have in mind.

Now, Mr. President, the facts are these: There have been two eras in our country in recent years when there was no market for raw cotton in the country. That happened once just after the outbreak of the war when an embargo was placed upon our exportation by the European situation. Cotton fell to 5 cents a pound. Why, Mr. President? It was because there was no market for our cotton. When a product of that sort falls to that low price it indicates an absence of market. What was done in that case by the Federal Government? The great Secretary of the Treasury, William G. McAdoo, recognizing that a condition had been created when there was no market for cotton in this country, realizing that unless some relief was obtained the cotton growers of the country would suffer disaster and ruin, announced to the country that to relieve against this situation of no market, which was a monetary situation in part, he was ready to furnish to the banks of the cotton-growing section of the country \$500,000,000 by way of deposits in order to enable them to allow the cotton producers to withhold their cotton—not withhold it from the market, Mr. President, and I wish the Senator from Virginia were here to understand the distinction—not to withhold it from the market, but to withhold cotton sales until there should be a cotton market and a market for cotton goods.

This situation has arisen again. This product has fallen until it is selling in the local markets of the South for from 8 to 12 and 13 cents, when it costs at least 25 or 30 cents to make it, 25 cents on very fine land and 30 cents on inferior land. The same situation that existed when Secretary McAdoo came to the rescue of the farmers exists to-day. Prices of 8 and 9 and 10 cents for cotton produced at the cost at which this crop of cotton was produced do not indicate a market for cotton. They indicate that there is in this country no market which is entitled to be called a market for cotton.

What I am insisting upon is not that the cotton be held permanently from the market. I am insisting that these farmers be given the facilities and the means by which they may hold their products, the products of one year's toil, produced at the highest cost ever paid in this country for labor and material, until there shall again be a market for cotton in the country.

Mr. FLETCHER. Mr. President, I feel that there is no intention on the part of any Senator to cast reflection upon either the Federal Reserve Board or the Federal Reserve System.

I do not think the effect of this joint resolution will be in that direction. It is merely the expression of a wish that, so far as safety will allow, there should be accommodation in the direction indicated.

I am in favor, Mr. President, of the organization in the different States of corporations intended to promote exports. That movement has great significance, and, in my judgment, is the best way to work out the solution of the problem which now confronts the country with reference to exports. At the same

time, I can see that by reviving the activities of the War Finance Corporation we provide an agency which can cooperate with the export-trade organizations in the different States and temporarily relieve the conditions which depress agriculture to-day.

It is quite difficult to find an answer to the argument of the Secretary of the Treasury, in response to a communication from certain Senators, that the Treasury of the United States ought not be appealed to or ought not to be used in order to accomplish the advancing of prices and the furthering of withholding products from the market in order that better prices might be obtained; but we can, I think, very reasonably, with all deference to the Federal Reserve Board, and in consistent acknowledgment of the tremendous, vital service which the Federal Reserve System has rendered to the country, especially in the critical days we passed through when without that system we could not have financed the war, let alone have financed to the extent we did our associates on the other side, insist that agriculture shall not be discriminated against. I do not mean to say that it necessarily follows that there is a charge that agriculture has been discriminated against, but the impression to some extent prevails that the effect of the policy instituted has been to discriminate against agriculture in the operation of that system. The pending joint resolution goes to that extent, at least; that it is the view of Congress that agriculture shall not be discriminated against in the administration of the Federal Reserve System. It is quite true that agriculture touches every other interest, and primarily I believe that the wisest solution is in the cooperation of the War Finance Corporation with the local organizations composed of farmers, bankers, and other interests.

Mr. President, what we are doing is largely temporary. In my judgment, for permanent relief agriculture in this country must fall back upon the Federal farm loan act and its proper administration. I wish to offer here, so as to save time, an extract from an address delivered before the conference of the National Board of Farm Organizations held at Columbus, Ohio, September 1 to 3, 1920, by Mr. W. W. Flannagan; and, if there is no objection, I ask that this extract from that splendid address be printed in the RECORD as a part of my remarks.

The PRESIDING OFFICER (Mr. WATSON in the chair). Without objection, it is so ordered.

The matter referred to is as follows:

[Extract from an address before the conference of the National Board of Farm Organizations held at Columbus, Ohio, Sept. 1-3, 1920.]

THE NEED FOR A NATIONAL UNION OF FARM LOAN ASSOCIATIONS.

[By W. W. Flannagan.]

A pending case in the Supreme Court of the United States, entitled *Charles E. Smith v. Kansas City Title & Trust Co.*, is attracting much attention from its present and what may become its far-reaching effects upon the agricultural interests of the country.

The suit in question was brought in the Federal circuit court at Kansas City, Kans., to test the constitutionality of the farm loan act, and was inspired by the Farm Mortgage Bankers' Association of America. Smith, the plaintiff, is a stockholder in the title and trust company named, and this company was alleged to have had under consideration an investment in farm loan bonds, which under the farm loan act are declared to be "instrumentalities of the Government," and as such exempted from all taxation. Smith procured an injunction to prevent such investment. The Federal land bank at Wichita and the First Joint Stock Land Bank of Chicago, which issues such bonds, intervened, and the circuit court promptly dissolved the injunction, from which the plaintiff appealed to the United States Supreme Court. The case was argued at Washington by eminent counsel early in January of this year, the Federal land banks being represented by ex-Judge Charles E. Hughes, the joint-stock land banks by ex-Attorney General George W. Wickersham, and the plaintiff by William M. Bullitt, of Louisville, Ky. Without expressing any opinion the court in April ordered the case restored to the calendar for reargument in October, when the court reconvenes from its summer recess.

The effect of this order was construed by the Farm Loan Board to be the destruction of any market for farm loan bonds, and the board ceased to function as to any new business. The banks organized under the farm loan act are dependent upon the sale of farm loan bonds for funds to lend to the farmers. Anticipating such a market through the operation of a banking syndicate of bond dealers, previously employed by the Farm Loan Board, the Federal land banks had borrowed from the commercial banks about \$15,000,000, pledging farm loan bonds as collateral security, and had also approved loans applied for to a much larger amount.

Under these circumstances the Farm Loan Board appealed to Congress to extend for 1920 the operation of a law passed in 1918, which appropriated \$100,000,000 for the purchase of farm loan bonds during each of the fiscal years of 1918 and 1919, of which only about \$135,000,000 had been so used during the two years. Such legislation would have allowed the purchase of \$65,000,000 bonds and made available that amount for additional loans to farmers. But Secretary Houston, in a letter addressed to the chairman of the House Banking and Currency Committee, objected to this full extension of the operation of the law of 1918, and asked that the purchase of bonds be limited to such bonds as were secured by mortgages approved prior to March 1, 1920, in which restriction the Farm Loan Board acquiesced, and Congress acted accordingly. The effect of this was that the banks were limited to commitments already made (in amount of about \$30,000,000) and discontinued all efforts for any new business.

By direction of the board the banks severally reduced their operating forces to a minimum and the board itself reduced the number of employees in the bureau at Washington about one-half.

The Farm Mortgage Bankers' Association of America, which, as stated, instituted these legal proceedings, consists of dealers in farm mortgages who, prior to the passage of the farm loan act, had a lucrative business in the purchase and sale of such mortgages. This business consisted in lending money for periods from three to five years at the best interest rate obtainable, usually with a commission added, and disposing of these mortgages with or without indorsement, so as to leave a profit in the transaction. In some cases the mortgages taken were pledged with some trust company as collateral security, with the right of substitution, the lender issuing its own collateral trust bonds bearing the lower rate of interest against same, the bonds being disposed of to the public. As the farm mortgages matured, usually in less than five years, and as the bonds ran for terms of 10 to 20 years, the opportunity was given for an increase in the rate of interest with each renewal of the mortgage, and also an additional profit in the way of another commission.

The Farm Mortgage Bankers' Association maintains that the maximum interest charge should not be fixed by law at 6 per cent per annum, claiming that competition properly adjusts this, but 50 and more years of experience has demonstrated the fallacy of such a theory, and that farmers have always heretofore paid "all the traffic will bear." Statistics compiled by the Agricultural Department show that the average rate of interest on mortgages paid by farmer borrowers throughout the United States, prior to the passage of the farm loan act, was in excess of 7½ per cent. In many States of the South and Northwest such rates ran as high as 10 per cent. The lowest rate included in this average prevailed in the State of New Hampshire, where rates were 5.3 per cent, due to the fact that farm mortgages there held by savings banks are exempt from State taxation. Under the farm loan act a uniform asking rate throughout all the States for farm mortgages had been established, this rate in no case exceeding 6 per cent per annum; the great majority of loans under the system have been made at 5 and 5½ per cent, no commission being charged. A commission charge in addition to interest is a penal offense for any loan made under the farm loan act.

In addition to the uniform reduction of the average rate of interest charged on farm mortgages, the Federal land banks have during three years extended benefits to 130,000 farmers, by making loans for terms running from 20 to 40 years. All loans are made upon the amortization plan of repayment, under which a semiannual sum (called installment) of \$32.50 for each \$1,000 borrowed pays interest at the rate of 5½ per cent per annum, and also discharges the principal of the debt in 34½ years. The mortgage loan once secured, there is no worry about renewals, and none should exist about the final payment under the small installments required. The borrower has the option of paying off the whole or any portion of the debt at any interest period after the expiration of five years.

There are two separate classes of banks chartered under the farm loan act which have no direct connection with each other, though both are chartered by and under the supervision of the farm loan board. They are known, respectively, as Federal land banks and joint-stock land banks. The Federal land banks have restricted territory in which they can make loans, which is called a district, consisting of several States, except in the case of the State of Texas, which is a district in itself. The country has been divided into 12 districts and one Federal land bank is located in each district. These banks are intended to operate exclusively in the interest of the farmer borrowers, who are organized into local associations called national farm-loan associations. These associations are the only beneficial stockholders of the Federal land banks entitled to vote at shareholders' meetings; the capital stock held by the Government can vote, but such stock does not share in dividends.

The other class of land banks known as joint-stock land banks are organized with private capital. They are each limited in territory in which loans can be made to two contiguous States; they have the same limitation of 6 per cent as to the rate of interest which may be charged and are prohibited from any additional commission charge. They are under governmental supervision and subject to official examination. They make loans through agents of their own selection, and have no connection whatever with the farm-loan associations.

The loans already made by the 12 Federal land banks aggregate about \$260,000,000. Some of the loans have been voluntarily paid off in full, and all which have run one year have been slightly reduced by amortization payments. The principal of the actual amount of loans in force July 31, 1920, is \$344,475,809, represented by 124,590 existing borrowers. All borrowers are locally united into farm-loan associations which are chartered corporations, and there are now in operation 3,985 of these associations. They are located and doing business in every State of the Union. As there are only about 3,000 counties in the United States, it will be seen that the average is more than one for each county. Through these associations, properly supported and financed, the machinery already exists for carrying out the avowed purpose of the farm-loan act "to provide capital for agricultural development."

These associations now own \$17,404,615 out of the total \$24,337,860 capital stock of the Federal land banks. The stock originally subscribed by the Government, \$8,892,130, is being rapidly reduced by additional subscriptions for stock which these associations make, such addition being 5 per cent of every loan made. The Government has already been repaid from this source \$2,050,450.

The Federal land banks have issued bonds in the amount of \$329,600,000. They have sold to the public \$152,842,200. The Government has purchased \$173,285,000 and they have on hand the un-sold balance of \$3,972,800.

The 29 joint stock land banks have outstanding loans to farmers in the aggregate amount of \$79,406,446; they have issued bonds to the amount of \$75,285,000, of which they have sold to the public \$59,669,300, the balance on hand being \$15,615,700. The Government has never purchased any bonds from the joint stock land banks, nor made any subscription to their capital stock.

The Associated Farm Mortgage Bankers take great credit unto themselves for having "suspended" the business of the land banks. They have a very clever secretary, who on behalf of the association for many months has been flooding the country, including the Members of Congress, with propaganda, seeking to arouse public sentiment against the tax-exemption provision of the farm-loan act. He maintains that this exemption gives the opportunity for men of large incomes to become "tax dodgers" through the purchase of farm-loan bonds, and almost weeps at the distressing loss to the United States Treasury thereby. The question of the loss of public revenue by freedom from taxation of municipal securities, of insurance company assets, of Federal reserve banks, and of all other exemptions, does not seem to disturb him. If he only can save to the Treasury the



"farthing" income a tax on farm-loan bonds might yield, he will rest content with the "pound" loss to Uncle Sam from all other exempted securities. Of course everybody sees through this sham anxiety, and understands the selfish interest, which prompts the procedure.

With the wonderful amount of good already accomplished under the provisions of the farm-loan act, more beneficial to the farming interests in the short period of its existence than its most ardent supporters ever anticipated possible, it seems inconceivable that its enemies attacking it from purely selfish motives will be allowed to destroy it. Nor are its supposed friends of the Farm Loan Board free from criticism. To rest supinely quiescent, drawing full salaries, and doing nothing constructive, pending the decision of the Supreme Court, can not be considered commendable leadership. Whether the decision of the court is favorable to the banks or unfavorable, there has been no foresight displayed in the way of some suggested method for securing funds for the continuation of "providing capital for agricultural development" through additional legislation or otherwise. A favorable decision creates no market for 5 per cent bonds through a bankers' bond-selling syndicate, this being the only method heretofore adopted by the board for disposing of farm-loan bonds, except to ask Congress for an appropriation for their purchase.

The method of a bankers' bond-selling syndicate, as employed by the Farm Loan Board on behalf of the Federal land banks for the purpose of distribution, must be considered a failure when the figures show that out of the total bonds issued, less than 47 per cent has been marketed under such arrangement. The joint stock banks which have not had the supervision or assistance of the Farm Loan Board in disposing of the bonds issued by them, make a much better showing, as the figures indicate they have marketed through their own efforts nearly 80 per cent of the bonds which they have been authorized to issue.

Fortunately, the Federal land banks have attained the position where each one of them is self-sustaining with the volume of business already secured. They have a gross income per month of about \$1,600,000 and a net income of over \$250,000 per month, after paying all administrative expenses and providing for interest on all outstanding bonds. They have also accumulated a reserve fund from and including undivided profits aggregating \$2,326,668. If they should therefore have to continue the policy adopted for them by the Farm Loan Board, in refusing new business, their administrative expenses could be largely reduced and their undivided profits considerably increased.

Mr. FLETCHER. Mr. Flannagan was the former secretary of the Farm Loan Board. I have asked to have this extract from his address printed in the RECORD because it deals with the actual operations of the only financial system ever established in order to meet the real needs of agriculture in this country by providing capital for agricultural development. Mr. Flannagan thoroughly understands the farm loan system and the purpose of Congress in establishing it; he knows what it has accomplished and how it is operated. No one is better qualified than he to throw light on the subject.

I should like it understood just what that plan and system embodied in the farm loan act has meant to those who are engaged in the basic industry of the country and what it has already done for those who produce the Nation's food. I believe the full, untrammelled operation of that system would bring the surest and greatest relief to that industry now so depressed and that it offers the most efficacious remedy yet proposed for existing conditions.

There is no injunction against the Farm Loan Board or any Federal land bank or any joint-stock land bank. There is no necessity for employing any bankers' bond-selling syndicate to sell the farm loan bonds; in fact, as Mr. Flannagan shows, that method was not advisable in the first instance. Farm loan bonds were in demand by individuals, institutions, and security seekers everywhere, and those which were offered generally sold above par. The bonds would be taken readily by the public. The Treasury might wish to keep them off the market in order to prevent competition with its own securities temporarily, but it seems to me the Farm Loan Board has not been sufficiently active in carrying forward the work they were doing and has been too much disposed to cease business because a suit was brought by those concerned with the increasing interest rates.

One effect of the system has been to lower interest rates in all directions, although the suit was decided by the only court that has passed upon it in favor of the farm loan act and every feature of it. If the Farm Loan Board would go on with its work as before that suit was brought, considering and inviting applications, making loans, and generally conducting business, many farmers would be saved from ruin, agriculture would take on new life, and a healthy condition would soon appear.

The proper administration of the farm-loan system and the energetic execution of that law would redeem agriculture. A time like this is the time when it is most needed, and it is deplorable to have it lie dormant, sleeping, while those it should be relieving suffer. Deserving applicants are turned away and are told to wait; those who need the assistance the law promises and offers can not avail themselves of it and become discouraged. No country is safe without a substantial, contented rural population. The law is on the books; the machinery is set up. From actual experience and unquestionable demonstration it can bestow the benefits which a sound agricul-

ture calls for; and, yet, instead of meeting the present needs of the time it appears to cease functioning and in effect assumes an aspect of liquidation.

The farmers of this country are justly impatient; they are asking earnestly why should those in charge of the only financial system ever devised for their necessities and insuring the good of all now shut up shop and after the most gratifying experience practically go out of business and that at the time of their supreme need?

The pending joint resolution to put into active operation the War Finance Corporation ought to pass, but the farmer needs much more the vigorous administration and full operation of the Federal farm loan act. I realize the adverse effect of the litigation mentioned, but I do not concede that it should result in total paralysis. I sincerely hope some way may be found that will enable the Farm Loan Board to proceed with their most important work.

Mr. NORRIS. Mr. President, I think it ought to be said that the committee bringing in the joint resolution does not offer it as a cure-all for the difficulties that confront the country or the agricultural portion of it. There are two propositions proposed: One to rehabilitate the War Finance Corporation and the other expressing the opinion of Congress that some action ought to be taken to extend credit to the farmers upon agricultural products now in their possession. I do not expect that the passage of the joint resolution and the operations under it by the administrative officers of our Government will bring complete relief or complete happiness or complete justice. I think, however, it will do substantial good. Neither do I believe that the committee would, if they could, prevent, for instance, the reasonable and fair deflation of the currency.

I think it is realized that everybody—the farmer as well as everyone else—must stand some injury and some loss; but we are confronted with a condition that is so unjust to those who have produced agricultural products that it seemed to the committee we ought to alleviate in some degree, if we could, by any instrumentality within our hands, the suffering and the loss that must come to that class of our population.

During the debate to-day most of the discussion has been against the second section of the joint resolution proposed by the Committee. Mr. President, there is not any disposition to be discourteous or to harshly criticize the Federal Reserve Board. Because of the fact that it was argued on Friday and Saturday that the joint resolution brought in by the committee did that, the committee met and adopted a substitute which we thought would in effect accomplish the same result, although couched in a little different language, omitting any direction, but satisfying ourselves with some expression of opinion by Congress. When, however, we do that, with the honest and the fair intention of making it impossible for anybody to say that we are discourteous or unfair, we are almost laughed out of court by those who were opposed to the original proposition because it was too harsh, as they have said, and because it was insulting and implied a discourtesy to the Federal Reserve Board.

The committee realized, Mr. President, that this action is only temporary. It is not offered as a permanent solution of the difficulty. We want to get, if we can, some immediate relief. It is for that reason that most of the members of the committee have not participated in the debate. They were willing that those who opposed the proposed legislation should debate it, and then vote. If the Senate is opposed to the proposed action, if the Senate does not want to take this step looking to what the committee believe would afford a partial relief to the agricultural situation, it can vote it down. If it turns out, however, on a roll call that a majority here are so foolish and so simple and lack so in wisdom that they want to help the agricultural situation, if they can, then, of course, the joint resolution will prevail.

I am not unmindful, either, that this joint resolution if it passes must be put into effect by unfriendly officials. The Secretary of the Treasury is opposed to it, and the Federal Reserve Board is opposed to it; so that they will be able, if they do not want to give effect in good faith to our action, to cite instances that have occurred here to-day on the floor of the Senate where those who favored the legislation were charged with acting in bad faith, were charged with trying to do something that was an impossibility, were charged with trying to deceive the agricultural interests of the country and to practice deception upon the farmer. They will be able to find in the debates, from the CONGRESSIONAL RECORD, all those things said by Senators on the floor; and so it may be possible that unwilling officials of the Government, called upon to perform an official duty contrary to their wishes, and having heretofore themselves expressed an opinion that it would not accomplish any-

thing, may get a good deal of solace, if they do not carry it out in good faith, from expressions that have come from great, wise Senators on the floor of this body.

Mr. President, a great deal has been said about the Federal Reserve System. Some Senators have said that this is an attack upon it. I do not conceive it to be such. Of course, the committee, being rather feeble-minded, may not know, but we did not think it was an attack on the Federal Reserve System. We were in our simplicity acting in good faith, at least. It did not occur to us that we were insulting anybody in the administrative department of the Government, or that we were destroying the Federal Reserve System.

There is not any question of what the facts are. There is not any doubt to-day but that in the South and in the West and in the East, in all agricultural communities, there is the greatest kind of depression; that the products there can not be sold for anywhere near what it has actually cost to produce them. There are in the West now instances where renters who have worked all summer to produce a crop of corn have gone away and left it without husking it, because they would not be able to get enough out of it to pay the expenses of harvesting it and delivering it to market. There are a great many cases of that kind existing. The man who produced cotton in the South, the man who produced hogs or cattle, and put them on the market, are all in the same condition. All are presented with a condition that means ruin to hundreds of thousands of our citizens. Now, when we try to relieve them, it is said by some here that we are unfair to the consumers; that they ought to be heard.

Mr. President, if the consumer has the power now, and takes advantage of the present condition, to bring ruin and destruction to the producer, the consumer next year will be on a strike himself. After all, Mr. President, assuming that we are perfectly fair and perfectly honest, this is just as much of a question for the consumer as it is for the producer. You ruin the farmers, you make it impossible for the farmers to get the cost of production for a year or two, and the consumers will find themselves in a position where it will be impossible for them to get the necessities of life. There ought to be no difference between classes, and therefore I hurl back the assertion that this is class legislation. It is intended and the result will work out to assist somewhat to bring justice to the consumer as well as to the producer.

Mr. POMERENE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Ohio?

Mr. NORRIS. I yield to the Senator.

Mr. POMERENE. As the Senator suggests that this is not class legislation, is he willing, then, to change the first section so as to provide for "agricultural or other products"?

Mr. NORRIS. I am. I am perfectly willing.

Mr. POMERENE. I am very glad to know it.

Mr. NORRIS. And I think that would be the law if it were not changed. As I have said several times, Mr. President, while the word "agricultural" is used, and "agricultural products" are referred to, and the extension of credit based on corn, wheat, cotton, live stock, and other agricultural products, it simply calls the attention of these officials to the conditions that exist in regard to those products. It does not change the law whereby the War Finance Corporation can go on and operate, if this joint resolution is passed and they are rehabilitated, in respect to manufactured products just as they did before; but we thought it was proper under all the conditions to emphasize the agricultural condition, and call their attention to it, so that they would bend their energies in that direction; and the same thing can be said in reference to the Federal Reserve Board part of it.

Mr. President, these people who in some lines have produced the greatest crop in history and are unable to sell it are confronted with the proposition that if they are indebted to the bank they are called upon for payment, and the only way they have to pay is to sell that agricultural product—hogs, cattle, corn, wheat, cotton—and sell it for whatever they are able to get, at a time when everybody knows that it means their ruination. Take wheat as an illustration; does it mean cheaper flour? What does it mean?

Why, wheat, an annual crop, must be held, a good portion of it, nearly a year before it can be used by the consumer. Who should hold it? If the farmer could hold it, if the man who produces it could hold it and market it in orderly fashion during the months of the year as it is used by the consumer, that would be the ideal system. Everybody concedes it. That would bring the consumer and the producer closer together and eliminate the middleman. But if the producer must sell it now, who gets it? Not the consumer, but the speculator. The

man who has been a middleman during the war and made his millions will be in shape to make millions more between the producer and the consumer of wheat and other food products.

That is what happens. You can talk from now until doomsday, but you can not do away with the fact that the farmers all over the country are told by the local bankers: "We can not extend your credit. We must have part at least of your debt paid." And the farmer is forced on the market with his wheat. And who gets it? Not the consumer, but the speculator. And after that has gone on for two or three months what happens? After the wheat is out of the hands of the farmer who produces it and is in the hands of the speculator, then it goes up, God only knows how high, and there is where the consumer will get his wheat.

Is it a sin, therefore, that the farmer should hold the wheat a little while, until he can sell it in a market that will at least give him the cost of production? That is what these Senators cry out so about, that the Government ought not to go in with any class of people to hold anything off the market; but here is something that can not get to the consumer if it does go on the market. It will have to be held by somebody.

It will not take any more money to extend loans to farmers who have wheat they have produced. It will not mean expansion. There is enough money now. Local banks are anxious to extend credit to these producers of food products. If the Federal Reserve Board will simply give permission, there will be no difficulty. We do not need any more reserve, as has been argued by some. It is only a question as to whether these food products shall be held a short time by the producer or whether he shall be compelled to sell to the speculator and let him hold it. Let the consumer think of that.

Mr. SIMMONS. Mr. President—

Mr. NORRIS. I yield to the Senator from North Carolina.

Mr. SIMMONS. In support of the very position the Senator is taking, it has been stated to me—I do not vouch for it, because I do not know—that practically the only concern that is really upon the southern market to purchase cotton at this time is a great exporting concern with unlimited capital.

Mr. NORRIS. I thank the Senator. I have heard that statement made, and I have not heard it contradicted. I do not know as to the truth of it in detail; but we are told here to-day that we ought to be frank; that we ought to act in good faith. That is what I want to do, and that is one reason why I have taken the floor. I did not suppose before some of these speeches were made to-day that anybody contended anything to the contrary. I do not want the agriculturists of the country to get the idea that this is going to be a complete remedy. They do not expect that it will, those who have appeared before the committee.

One Senator, the Senator from Virginia [Mr. GLASS], had a great deal to say about the effect that this would have in exciting the farmer against the banker and exciting the banker against the farmer; that it would bring up an antagonism between them. Why, Mr. President, here is one case where the farmers and the bankers are together. If you take a vote of the bankers of this country out in the country where these products are now ready for the market and awaiting a fair market, you will find that they are unanimous for some legislation of this kind. They think it will help, and they say that the reason why they can not extend credit is because of the orders higher up.

Again, it is said by the Senator from Virginia to-day that some of these bankers are telling their farmer friends that they can not extend credit, and blame it upon the Federal Reserve System, the Federal reserve banks, when they are not members of the Federal reserve banking system. That may be true, and many times it is not only true but it is right.

Go out into the country and take your little bank, rediscounting paper in Chicago, probably, and nine times out of ten rediscounting its paper now, not a member of the system, with a bank that is a member of the system, and when the screws are pulled on that big bank it pulls the screws on the little bank, whether it is a member of the system or whether it is not. It does not make any difference. So, in effect, what the Federal Reserve Board does affects all banks, whether they are members of the system or not; and sometime ago, when, as the Senator said, these bankers were expanding loans, and credits were being extended with the consent of the Federal Reserve System, it was in absolute accordance with the wishes of the Federal Reserve Board, at a time when they would not extend credit for legitimate production.

I stated once before here—and I am going to state it again, because there were not many Senators here at the time, and those who were here have probably forgotten it—an instance that illustrates that. It happened here in the State of Mary-



land, with a farmer with whom I have been acquainted ever since I have been in Washington, for about 18 years now. He is a man who is perfectly good. He has a farm of between three and four hundred acres, finely improved, with a fine lot of stock of all kinds. He told me himself in my office over in the Senate Office Building, less than a year ago, that he went to the bank to borrow \$500 to buy fertilizer. Now, in my country we hardly know what fertilizer means, but everybody in the East knows what that means in raising a crop. It is one of the necessities; and his banker told him that he could not loan him the money. He said that while he was perfectly good, and he would be glad to loan to him if he could loan to anybody, under the orders of the Federal Reserve Board he could not make a loan for the purpose of buying fertilizer.

The man who operated that farm, and owned it, was not quite satisfied. He doubted whether the Federal Reserve Board were operating this thing in good faith, and while he had no reason to doubt the word of the banker he thought he would see if he could get credit in another direction. So he drove around to the automobile dealer in his automobile, and said, "My automobile is getting old, and I have been thinking of buying a new one. I wish you would look at it and see how much you will allow me for it if I get another one just like it only new." The dealer looked it over, took him in and showed him the new one, and told him what he would allow him on the old one. Then the man said "But I haven't got the money. I wouldn't be able to pay you the cash difference"—and it was a good deal more than \$500 difference, too. The dealer said, "That makes no difference. I will take your note. Give me your note, get out of your old machine, get in the new one, and it will be all over." The man said, "Do you do that with everybody?" He answered, "Everybody who is good, like you." The man said, "You can not carry all the notes, can you?" He said, "Oh, no; I won't carry yours. I will turn it over to the bank." The farmer said, "Will the bank take my note that way?" The dealer said, "Oh, yes; there will be no trouble about that."

But 10 minutes before the same bank would not take his note and lend him money to buy fertilizer.

The expansions which have taken place, which the Senators are boasting about so much, have been in other lines than in the lines of production. At least, the farmer now is unable to go to the bank and extend his note. It can not be done.

Mr. President, in my humble judgment the substitute which is offered by the committee is an improvement over the original section 2 of the joint resolution. It is true that it expresses only the opinion of Congress, and that is about all we can do, Mr. President; that is about all we do, whether we put the word "directs" in it or not. I concede that we can not direct a discretionary action of any board or any executive officer. We ought not try.

But those who oppose this proposition are boasting that there is more money than ever in the country, and some of them say, "They can not have any more money unless we increase the reserve." If there is more money in the country than ever, which I concede, then we do not need any more reserve, then why not extend to the farmers of the country, who have these products ready for market, time to meet a better market, as this resolution says Congress thinks ought to be done? I think the two sections work together. If the first one is adopted, and the War Finance Corporation is rehabilitated, it will take them some time before they can get the machinery in order for the purpose of financing the exportation of American products produced on the farm. While they are getting the machinery in working order we ought to carry the farmers of the country who own these products for a few months until that machinery can be perfected and put in order.

In my judgment, Mr. President, even if the first section about the War Finance Corporation were not adopted, and only section 2 were agreed to, if it could be held a few months, I have no doubt that most of these products will come up somewhat in value. There will be some of them, certainly, which will go up. If we do nothing, you will see wheat go up, and the consumer will pay the higher price. It will go up just as soon as they get it out of the hands of those who have produced it and into the hands of the speculators.

I do not believe, Mr. President, that a man ought to be compelled to apologize, when on the floor of the United States Senate, who defends a proposition which is intended in good faith to assist the agriculturists of this country. I do not think that it is becoming of Senators here to say that those who favor this legislation are not acting in good faith and do not expect to get some good results from this legislation. We may not accomplish much, perhaps, if we pass it, but if the officials whose duty it is to carry it out will carry it out in good faith, there is not any question but what good will come from it.

Mr. POMERENE. Mr. President, I have listened to this debate with a good deal of interest. It seems to me the primary mistake that is being made is this: We are speaking of this bill in terms of cotton, or corn, or wheat, or hogs, or cattle, or iron, or copper. What we ought to do is to speak of it in terms of cotton, and wheat, and corn, and hogs, and cattle, and iron, and copper.

When my very good friend, the Senator from South Carolina [Mr. SMITH], suggests that the agricultural interests are alone suffering, or are suffering more than the manufacturing interests, I excuse his suggestion because he perhaps has not investigated the subject. I realize that there is distress in agriculture. But there is distress among manufacturers as well. My own city we delight to call the city of diversified industry.

Mr. SMITH of South Carolina. Will the Senator allow me simply to inquire, because it is impossible to understand thoroughly just the argument he is making now, whether he means that the manufacturers of his section particularly are suffering from a lack of a domestic as well as a foreign market?

Mr. POMERENE. Yes, I do; and I think the Senator will understand me as I go along.

Mr. SMITH of South Carolina. I want to suggest to the Senator that the domestic market for his section is largely dependent upon the primary ability of the agricultural interests to market their crops.

Mr. POMERENE. I realize the argument that is made; I have heard it many times. The State of Ohio is a State of diversified industries. Agriculture is suffering; manufacturers are suffering. For instance, in my own city the biggest plant we have, a steel plant, which employs about 8,000 men, is closed down. Another concern which employs 4,800 is running now with about 700.

In the city of Akron the rubber companies are closing down or running not exceeding 20 per cent. One of these manufacturers, who was in my office a few days ago, who has been in the habit of employing about 30,000 men, now is employing about 20 per cent; and that is the situation in many industrial towns. In Youngstown, where iron and steel are king, I am informed that none of the plants are running to exceed 50 per cent.

When we speak of keeping these products on hand, that is the situation which confronts many of these manufacturers, particularly in the rubber industry. They have their warehouses bursting with raw material, which they bought at the highest price, or with the products which were made out of this high-priced material, with the highest-priced labor, and they are obliged to cut their prices and then can find no market.

I am not speaking of this because of any special sympathy with the employing manufacturers themselves, although my sympathy goes out to all of them; but what I am thinking about more than anything else is the thousands of men who will be out of employment, and no one can tell how long.

I refer to this because I take exception to the statements of those Senators who come here and plead for one special industry. Why can we not be as broad in our comprehension of this subject as the Nation itself? I have no objection to the reference to the agricultural interests in the first section of this joint resolution, but I hope that in the prevailing conditions whatever we do here will be for the benefit of "agricultural and other products."

Let me go a step further. I have read most of the testimony which was taken before the Committee on Agriculture, and I think that they have done a real service in bringing it to the attention of the country. I am not prepared to say that the Federal Reserve Board have not done their full duty, and if my good friends from the West and the South will look at this from every standpoint, I do not think they will say that they have not done their duty, because I believe they want to be fair.

Now, Senators, let me make this suggestion: The Secretary of the Treasury is opposed to this joint resolution. Gov. Hamlin, as I understand it, is perhaps opposed to it. I think the Secretary of the Treasury is looking at this with reference to the burden it will be upon the Treasury, but this burden will be borne by the Treasury, if assistance is to be had, whether it is through the medium of the War Finance Corporation or directly from the Treasury. I do not know that this joint resolution is going to do any good, but if that second section is eliminated, I will vote for the first part of it, with the hope that it may do some good. I think if the directors of the War Finance Corporation will take up this work they may be able at least to help the country psychologically. I doubt whether it will be of very much more assistance than that.

When our friends talk about agriculture not being a speculative proposition, while in the primary sense it is not, I think from what I have heard our friends from the South and our friends



from the West say, they will not deny that speculation is rife with cotton and wheat and corn. I do not know how you are going to distinguish between the farmer who works his farm and the speculator who farms the farmer, when it comes to this kind of relief.

The Senator from Virginia [Mr. GLASS] has called the Senate's attention to what has been done toward assisting the agricultural interests. A part of that assistance comes from the Cleveland reserve bank not because they do not need their money when things are booming, but many of the manufacturing plants in our section of the country are only running part capacity, and this money is not needed now, and they are enabled thereby to help other sections of the country, and I am glad they are giving aid.

Now, let me make another suggestion, and I make this particularly to the Senators from the West and from the South. No section of the country is going to prosper when it charges outrageous rates of interest. In my own State the legal rate is 6 per cent; the contractual rate may be 8 per cent. Anything above that is usury. There are 12 States, including the District of Columbia, in which the contractual rate is 10 per cent—Arkansas, Arizona, District of Columbia, Florida, Kansas, Minnesota, Nebraska, North Dakota, Oklahoma, Oregon, Texas, and Wisconsin. There are 10 States and Territories in which the contract rate is 12 per cent—Alaska, Hawaii, Idaho, Montana, Nevada, New Mexico, South Dakota, Utah, Washington, and Wyoming. No farmer or manufacturer can afford to pay 10 per cent or 12 per cent interest on borrowed money. Have your legislatures reduce their rates of interest and you will serve your States.

My very good friend the Senator from Georgia [Mr. HARRIS] offers his amendment limiting the rate of rediscount to 6 per cent. Is that going to help the farmer? Why, it enables the banks to get money at 6 per cent and, in these States to which I have called attention, to loan it at 10 or 12 per cent, and they take the difference. The farmers are not going to get the benefit of it. The banks will.

The Senator from Nebraska [Mr. NORRIS] has offered a substitute for section 2. As between the original section 2 and the substitute I shall vote for the substitute. If it comes to the adoption of the substitute I shall vote against it.

Senators, it is a pretty serious problem to attempt to interfere with the administration of the great financial system of the country, which was so great and so good as to enable the United States to finance all of its war operations and loan ten billions of dollars of money to our allies. Let me suggest—and I say it with all due respect—that with the limited knowledge that anyone of us or all of us may have with regard to the financial system of the country as a whole, I do not believe we ought to try to tie the hands of the Federal Reserve Board.

If any Senator will take the time to read the testimony of Gov. Harding—and I want to indorse everything that has been said here in a commendatory way about him—he will find that many of the banks in the West and the South that ought to be financing agricultural operations have not rediscounted a dollar of the bills receivable of these banks. Other banks have rediscounted their bills recently, and perhaps they have gone beyond the line that good banking would suggest; I do not know. There may be one bank in one State that deserves and ought to receive further accommodations from the Federal reserve bank in its district. There may be other banks which ought not to have them. That is a matter to be decided by the reserve banks and not by the Congress.

I was a good deal interested in the story which was just given to us by the Senator from Nebraska [Mr. NORRIS] with respect to some banker who was not willing to discount paper for fertilizer, but was for the balance due on a new automobile. I do not know why the Senator should think that he could make the United States Senate believe that Gov. Harding was responsible for that statement. That is the most amazing proposition imaginable, that a banker out in Nebraska should refuse to take a farmer's note for fertilizer, but would take it for the balance of the purchase price of an automobile. That challenges belief.

Senators, this attempt, not to deflate but to prevent further inflation, was begun more than six months ago. In my own city of Canton last spring there was great need for 2,000 new houses, and the builders could not get the money. The houses were needed—I am sure of that—but the banking authorities felt that it would be unwise to encourage further expansion along that line. Frankly, my judgment was, notwithstanding the local needs, that as a general proposition the Federal Reserve Board was right.

There is just one time when I get panicky, and that is when I see men in high authority trying to take away the restrictions from our financial system. If they could have their own way

we would be on the way to the goal that has been reached by France and Germany and Russia.

Oh, it may be that we can handle these things so as for the moment to make a little more money—aye, a little more money measured in cheaper dollars—but, my friends, the day of reckoning, if that system is to be in vogue, will be near at hand. To use an old Latin maxim, let us haste slowly when it comes to taking the restrictions away from this Federal reserve system, which is so well guarded and has served the country so well.

Mr. McKELLAR. Mr. President, I believe the Secretary of the Treasury, or the directors of the corporation itself, made a mistake in discontinuing the operations of the War Finance Board. The bill creating this War Finance Corporation was approved April 5, 1918, while the war was going on. Five hundred million dollars, or so much thereof as might be necessary, was appropriated for the purposes set forth in the act. The corporation was empowered and authorized to advance for periods not exceeding five years moneys to any bank, banking, or trust company which had made loans to a business whose operations "shall be necessary or contributory to the prosecution of the war," and also to any person, firm, or corporation that had bought bonds of the United States. In a like manner it was authorized to lend money to reserve banks, banking institutions, or trust companies under the same conditions. The corporation was also in "exceptional cases" authorized to lend money directly to persons, firms, or corporations under conditions named. The corporation was also empowered to issue bonds "in an amount aggregating not more than six times its paid-in capital," these bonds to be exempt from taxation, except certain specified taxation. Now, of course, it was very proper for the Secretary of the Treasury to discontinue the operations of this corporation so far as all of these powers were concerned. Beyond doubt it should have been discontinued.

On March 3, 1919, the Congress amended the War Finance Corporation act as follows:

Sec. 9. That the War Finance Corporation act is hereby amended by adding to Title I thereof a new section, to read as follows:

"Sec. 21. (a) That the corporation shall be empowered and authorized, in order to promote commerce with foreign nations through the extension of credits, to make advances upon such terms, not inconsistent with the provisions of this section, as it may prescribe, for periods not exceeding five years from the respective dates of such advances:

"(1) To any person, firm, corporation, or association engaged in the business in the United States of exporting therefrom domestic products to foreign countries, if such person, firm, corporation, or association is, in the opinion of the board of directors of the corporation, unable to obtain funds upon reasonable terms through banking channels. Any such advance shall be made only for the purpose of assisting in the exportation of such products, and shall be limited in amount to not more than the contract price therefor, including insurance and carrying or transportation charges to the foreign point of destination if and to the extent that such insurance and carrying or transportation charges are payable in the United States by such exporter to domestic insurers and carriers. The rate of interest charged on any such advance shall not be less than 1 per cent per annum in excess of the rate of discount for 90-day commercial paper prevailing at the time of such advance at the Federal reserve bank of the district in which the borrower is located; and

"(2) To any bank, banker, or trust company in the United States which after this section takes effect makes an advance to any such person, firm, corporation, or association for the purpose of assisting in the exportation of such products. Any such advance shall not exceed the amount remaining unpaid of the advances made by such bank, banker, or trust company to such person, firm, corporation, or association for such purpose.

"(b) The aggregate of the advances made by the corporation under this section remaining unpaid shall never at any time exceed the sum of \$1,000,000,000.

"(c) Notwithstanding the limitation of section 1, the advances provided for by this section may be made until the expiration of one year after the termination of the war between the United States and the German Government as fixed by proclamation of the President. Any such advance made by the corporation shall be made upon the promissory note or notes of the borrower, with full and adequate security in each instance by indorsement, guaranty, or otherwise. The corporation shall retain power to require additional security at any time. The corporation in its discretion may upon like security extend the time of payment of any such advance through renewals, the substitution of new obligations, or otherwise, but the time for the payment of any such advance shall not be extended beyond five years from the date on which it was originally made."

Sec. 10. That section 15 of the War Finance Corporation act is hereby amended to read as follows:

"Sec. 15. That all net earnings of the corporation not required for its operations shall be accumulated as a reserve fund until such time as the corporation liquidates under the terms of this title. Such reserve fund shall, upon the direction of the board of directors, with the approval of the Secretary of the Treasury, be invested in bonds and obligations of the United States, issued or converted after September 24, 1917, or upon like direction and approval may be deposited in member banks of the Federal Reserve System, or in any of the Federal reserve banks, or be used from time to time, as well as any other funds of the corporation, in the purchase or redemption of any bonds issued by the corporation. The Federal reserve banks are hereby authorized to act as depositaries for and as fiscal agents of the corporation in the general performance of the powers conferred by this title. Beginning 12 months after the termination of the war, the date of such termination to be fixed by a proclamation of the President of the United States, the directors of the corporation shall proceed to



liquidate its assets and to wind up its affairs, but the directors of the corporation, in their discretion, may, from time to time, prior to such date, sell and dispose of any securities or other property acquired by the corporation. Any balance remaining after the payment of all its debts shall be paid into the Treasury of the United States as miscellaneous receipts, and thereupon the corporation shall be dissolved."

SEC. 11. That the short title of this act shall be "Victory Liberty loan act."

It will be seen from a perusal of this act that Congress simply uses the organization for the purpose of doing virtually an entirely separate thing, to wit, to increase our foreign trade.

Mr. President, I doubt whether under this amendment either the Secretary of the Treasury or the board had any right to suspend the rights of the War Finance Corporation. In the amendment of March 3, 1919, it is said "beginning 12 months after the termination of the war, the date of such termination to be fixed by the proclamation of the President of the United States, the directors of the corporation shall proceed to liquidate its assets and to wind up its affairs, but the directors of the corporation in their discretion may from time to time prior to such date sell or dispose of any security or other property acquired by the corporation under this provision of the law." Congress specifically told the directors of the corporation what they could do at their discretion. It gave them the right to sell and dispose of securities prior to the dissolution of the corporation, but did not give them the right to suspend wholly its operations. The original purpose of the corporation was to make loans to a business whose operations "shall be necessary or contributory to the prosecution of the war." During the war this was done. When the war was over Congress, in its wisdom, simply directed that the War Finance Corporation machinery should be used for a wholly different purpose, namely, to aid exporters for a period of 12 months after the proclamation of the peace. That time limit has not yet begun to run. It is inconceivable that Congress would give the Secretary of the Treasury, as the head of this corporation, the right to perform its functions or not do so, as he saw fit. There is no express authority in the act that he or the directors should suspend its operations at will. The purposes of this act are admirably set forth in a report by Senator SIMMONS, which he filed on February 28, 1919, and to which I shall refer later.

Mr. President, it seems to be the consensus of opinion that the first section of the joint resolution should be agreed to. That is for the rehabilitation of the War Finance Corporation. With that I heartily agree. I think it is not a panacea, but will be productive of much good, and I shall vote for it with a great deal of pleasure. I think it ought to pass, by all means. I am sure it will pass.

As to the second section of the joint resolution there seems to be very great conflict. Some say it is a criticism of the Federal Reserve Board. I indorse everything the Senator from Ohio [Mr. POMERENE] and other Senators have said here in reference to the great ability of the Federal Reserve Board and the magnificent work that institution has done for the country during the six years that it has been in existence.

I do not think there ever was such a banking system anywhere in the world as has been created under the direction of this board, and I think, generally speaking, that it has administered the financial affairs of the country in a marvelously successful way.

I have no criticism along that line to make of it. But I do not mean to say by that—and I do not think any of us do—that it is not possible for the board to err at some time. I do not subscribe to the doctrine that it is wrong, or even improper, for Members of the Senate, or for the Senate as a body, or Members of the House or the House itself, to give its or their own suggestions to the board. I think it ought to be an advantage to the board to have suggestions from the body that created it. I see no reason why those suggestions should not come. I can not imagine why the board should object to these suggestions.

Along that line, I want to call attention of the Senate to the time when the Federal Reserve Board required that all loans should be made at the legal rate of interest in the State where the money was loaned. For instance, Tennessee has a rate of interest of 6 per cent, and under directions from the Comptroller of the Currency no bank in Tennessee was permitted to make a loan at a greater rate of interest than 6 per cent. Now, the Federal Reserve Board, while requiring loans at 6 per cent as a policy for the banks under its direction, has instituted new arrangements by which a larger rate than that is in many instances charged by the Federal reserve banks themselves. In other words, the Federal Reserve Board is violating its own rules as to interest charges, and in a sense has become a usurer. For instance, I am told by reliable bankers in the city of Memphis, my home city, that they have been charged and have paid to the Federal reserve bank

as much as 12½ per cent as interest for loans made by the Federal reserve bank to that particular bank. This charge is made under the deflation policy established by the board. I do not mean to say that this policy of deflation is not for the best interests of the country. I think there is no serious difference of opinion about that. We could not keep on, as the Senator from Virginia [Mr. GLASS] so well expressed it a while ago, at a 45 degree angle. We all realize that. There must be a brake applied, but under the particular facts in the case I have mentioned, where a bank was given, say, \$1,800,000 as its line of credit at 6 per cent, and then it had to pay a larger rate on the next \$300,000, and on the next \$500,000 at a still larger rate, and so on, and if it borrowed more money of the Federal reserve bank it continually increased the rate until in one case I know it to be the fact that the rate charged was 12½ per cent. I think this is an unwise policy at this time or at any time. I do not believe it is necessary.

That puts us in the anomalous position of having the Federal Reserve Board require that banks in my State should lend their money out at a rate of interest not exceeding the legal rate, which is 6 per cent, and of itself lending money to these very banks, in some instances and in the manner which I have stated, at 12½ per cent. Of course, no bank could live under that rate of interest. It is quite a hardship upon banks. I say that not in any criticism; I say that merely in order that the Senate may have the facts about it, so we may advise together and with the board, not in a spirit of hostility, not in a spirit of criticism of this great institution—the Federal Reserve Board—but so that we may advise together and consult together and see if we can not do something to better existing conditions.

Mr. SMITH of South Carolina. If the Senator will allow me, speaking about that 12½ per cent, I presume that that was under the operation of an amendment passed here in April, 1920, that gave the Federal Reserve Board power to graduate and progress the rate after a bank had rediscounted a certain extent of its capital and surplus?

Mr. MCKELLAR. That is true.

Mr. GLASS. Mr. President, does not the Senator also know that that rate was not an accommodation rate, but a penalty upon unwise banking?

Mr. MCKELLAR. I do not understand it in that way. I understand that the Federal Reserve Bank of St. Louis, for instance—I will not call the names of banks in my State—announced to the particular bank I have in mind that it could have a line of credit of \$1,800,000 at a rate of 6 per cent; that if they got \$500,000 more—and I do not mean to be accurate about the amounts as they progressed upward, but, say, \$500,000 more—they would pay 7 per cent; that if they got \$300,000 additional they would pay 8 per cent, and so on, until this particular bank, which is one of the strongest financial institutions in my State or in any other State, had to pay as much as 12½ per cent for money that it was compelled to loan in order to do the business with which it was confronted by its customers.

Mr. GLASS. That was the universal rule; it was not peculiar to the Senator's State.

Mr. MCKELLAR. I can not say as to that. In another State I heard of a loan at 18 per cent.

Mr. GLASS. And it was done, as the Senator from South Carolina [Mr. SMITH] has said, under the amendment to the Federal reserve act which Congress deliberately and considerably passed in order practically to restrict—and I might almost say to penalize—banks which made loans so far in excess of their actual resources. It is somewhat akin to the provision of the Federal reserve act which puts a penalty upon the Federal reserve banks which default in their reserve requirements. It is not a commercial accommodation, but a restriction, and the Federal Reserve Board and the Federal reserve banks would be very much obliged by member banks refusing to ask for rediscounts on a basis of that kind.

Mr. MCKELLAR. I understand that all that the Senator says is correct; I am not disputing that.

Mr. DIAL. The same rate applies to all banks in the same district on the same kind of paper.

Mr. MCKELLAR. Yes; except as to those who exceed their quota or limit, of course. It is a uniform rule upward, as I understand it, the rate depending upon the amount borrowed above the limit first fixed.

Mr. GLASS. The Senator understands that if that were not done, banks which do not exceed their limit would be placed at a very great disadvantage.

Mr. MCKELLAR. I understand the situation and the motive for the law; its purpose is good; there is no trouble about that; but it puts the Federal Reserve Board in this remarkable atti-

tude, that that board which for nearly six years of its history has made this requirement and in some cases has threatened to penalize and perhaps has penalized banks—I do not know that it has penalized them, but I do know there have been threats of it—for loaning money at over 6 per cent interest under this graduated system, this sliding scale of credits, the Federal reserve bank is making it impossible for the local bank to charge merely the legal rate of interest in its particular State; otherwise it would go out of business; for, of course, it would be impossible for it to continue in business under such circumstances.

It does seem to me that when we passed this law and gave this authority we expected a reasonable interpretation of the power to raise interest rates, and I say this not in a spirit of criticism. The practice, however, seems to have gone beyond the limit which we had any reason to expect. Previously the Federal reserve banks had been loaning money at 3 and 4 per cent. I do not think any of us contemplated—I know I did not when I voted for the bill—that the Federal reserve banks would be lending money to member banks at any such rate as 12½ per cent under any circumstances. I can hardly conceive that anyone could believe that we intended such an authority, and I doubt if any of us felt that it would be done by the board.

It seems to me to be of vast importance that this body at this time should fairly and frankly discuss these matters openly in the Senate and among ourselves and advise with the Federal Reserve Board, not in a spirit of criticism, for I think that there is not a Senator on this floor, on whichever side he is, whatever may be his views about banking, who does not believe that the Federal Reserve System is one of the greatest systems in the world; we do not want to change it; we do not want to hamper it; but we want to uphold in every way we can the men in charge of it. I not only concede but I take the greatest pleasure in saying that they are doing the very best they can; they are doing a wonderful work; but I do not mean to indicate by that that they are infallible. I think that these interest rates might well be lowered. We might well accomplish what they are undertaking to accomplish—that is, to deflate the credit conditions of the country, to check them, because they ought to be checked—and I believe that if the matter were handled in a little different way by cutting out all speculative loans and loans were permitted for productive, commercial, agricultural, and industrial purposes at a reasonable rate of interest we should have all the money which is necessary for proper purposes. Some method ought to be found to check these speculative loans of the country. There seems to be now no effective checking of speculative loans. I believe it would be better for the whole country to center its attention upon the checking of speculative loans rather than checking agricultural, commercial, productive, and industrial activities.

Mr. DIAL and Mr. KING addressed the Chair.

Mr. McKELLAR. The Senator from South Carolina rose first, and I will yield to him, and then I will yield to the Senator from Utah in just a moment.

Mr. DIAL. I merely want to keep the record straight. I will ask the Senator from Tennessee if before the Federal reserve bank act was passed it was not the law that a national bank could not borrow any more than an amount equal to its capital and surplus?

Mr. McKELLAR. That was true.

Mr. DIAL. That was true at that time. Now, let us consider the rate of interest. It was graduated according to the amount of the borrowings. Some of the banks have since borrowed six times the amount which they could originally have borrowed?

Mr. McKELLAR. Yes.

Mr. DIAL. In fact, I heard of one bank that borrowed forty times the amount which it could originally have borrowed. Now, does not the Federal reserve bank merely charge the higher rate of interest for such unreasonable accommodations, and is it not better for a majority of banks to have a graduated schedule and a higher rate under such circumstances?

Mr. McKELLAR. I agree with the Senator about that; but I have heard—I do not say with assurance that my information is correct; it is merely hearsay; I think I saw it in a newspaper or it may be that some banker told me—that in the Kansas City district one bank paid as high as 18 per cent for money. However, I think any such rate of rediscount as 8 per cent or 10 per cent or 12 per cent is a matter beyond the realm of what that bank ought to pay. That is my opinion. I may be incorrect about it, but I think it is well for us to talk it over. I understand the second section of the joint resolution is to be amended by inserting the words "a reasonable rate of interest" instead of "the lowest possible rate of in-

terest." I do not see any objection to some expression of that sort, showing the desire of this body to be reasonable in its interpretation of the penalty clause which we incorporated in passing the sliding scale to which reference has been made.

Mr. GLASS. Mr. President—

Mr. McKELLAR. I yield to the Senator from Virginia.

Mr. GLASS. I simply wanted to say to the Senate that I had occasion to make personal investigation of the Kansas City charge. The bank there from which that rate of interest was exacted had extended credit beyond all reason; as I recall, it had loaned eight times its capital and surplus, and I doubt very much whether the Federal Reserve Board should have rediscounted its paper at all. It seems to me the bank should have been closed.

Mr. McKELLAR. I think that where a bank is required to pay such a rate of interest as 18 per cent for rediscounting its paper, surely the Federal reserve bank ought not to lend that bank money at all. I think to refuse a loan rather than charge 18 per cent would be a very sensible thing to do, but for the Federal reserve bank to take advantage of a member bank that is borrowing to that extent by charging it the enormous rate of interest of 18 per cent seems to me not sound banking policy, although I am not an expert banker and do not claim to be. It savors peculiarly of usury to me.

Mr. GLASS. The reserve board was not taking advantage of the concern; it was helping the concern after satisfying itself that it might pay out. I very much doubt whether it even should have done that.

Mr. McKELLAR. I not only doubt it, but I say it ought not to have done it, because I think that is the usual plea of all usurers, namely, "I am just helping the borrower out"; but the law steps in and says that he can not lend money to a borrower at any such rates of interest. The Federal reserve bank, however, is permitted to go beyond that and charge a sliding upward scale of interest rates that are distinctly usurious in their nature.

Mr. DIAL. They do not want to lend it to anyone else at any such rate. I looked into some of these excessive loans, and my information was that in such instances the bank was overloaded with Government securities or some such class of securities, and that the Federal reserve bank, of which it was a member, did not want to turn it down, and, therefore, as an accommodation to that bank let it have the money under the circumstances and not because they wanted to lend them the money.

Mr. McKELLAR. I can only say about the bank in the city of Memphis which I have in mind that there is not a more solvent institution in the country. It is one of the great money-making institutions of my State; it has been marvelously successful, and is one of the most stable institutions not only in my State but in the country. However, it had to pay for a portion of its money in interest at that rate in the way I have stated, as much as 12½ per cent, and I do not believe any system or policy that would penalize a bank under such circumstances is exactly right. I do not mean by that to criticize the Federal Reserve Board or the Federal Reserve System because of this injustice as it seems to me, but I am merely calling attention to it with the hope that that particular arrangement will be modified, and the policy corrected by the Federal Reserve Board.

Mr. KING. Mr. President—

Mr. McKELLAR. I yield to the Senator from Utah.

Mr. KING. In citing the case from Kansas City to which the Senator has just referred, does he not impliedly criticize the Federal Reserve Board because they granted too great credit to that bank?

Mr. McKELLAR. Not the board; but I imagine that the Federal reserve bank of that district, as the Senator from Virginia [Mr. GLASS] intimated a while ago, acted rather unwisely. I would have thought so if I had been a member of the board, and if the institution were in that kind of a condition I would not have agreed to the loan at all.

Mr. KING. Will the Senator pardon me again?

Mr. McKELLAR. I yield.

Mr. KING. As I understand the Senator's discussion, he concedes the necessity of member banks maintaining a proper gold reserve?

Mr. McKELLAR. Oh, of course.

Mr. KING. And he concedes, of course, that loans should not be in excess of sound banking, and that sound banking must be predicated upon a proper gold reserve?

Mr. McKELLAR. Yes.

Mr. KING. Now, does not the Senator know that the Federal reserve banks have gone to the extreme in extending credit, so that now in the United States the reserves of many of the



banks are below the legal requirement, and, indeed, all of the banks are perilously approaching that condition?

Mr. McKELLAR. I do not so understand it. I understand that we are considerably above the limit of a proper gold reserve.

Mr. SMITH of South Carolina. Mr. President, if the Senator will allow me—

Mr. McKELLAR. I take pleasure in yielding.

Mr. SMITH of South Carolina. The Comptroller of the Currency and the governor of the Federal Reserve Board made the statement that there was gold available for the issue of further credit, in addition to that outstanding, of \$2,000,000,000. That statement has gone unchallenged; and surely if the Comptroller of the Currency does not know what he is talking about, some of the others that we are alarming so greatly may not know what they are talking about.

Mr. KING. Of course, I am not in a position to challenge the accuracy of the statement of my friend.

Mr. SMITH of South Carolina. It is printed, and I think I can get a copy of it and lay it before the Senator. It is contained in an official statement of the Comptroller of the Currency this year, as late as October, as I remember—that there was available in gold reserve a sufficient amount to issue \$2,000,000,000 more of circulating securities in addition to those we already have. Now, if the Senator will allow me, I do not think he will contend that the member banks have got to retain the 40 per cent of gold in reserve. There has got to be 40 per cent to redeem outstanding Federal reserve notes of the reserve banks, and yet they can go below that under a tax. The law provides that they may suspend it for 30 days and repeat the suspension if the condition of business justifies it.

Mr. KING. I express no opinion as to the amount of reserve which must be held by the member banks. I should have some doubt about the statement attributed to the Comptroller of the Currency that there was that much gold available upon which to predicate further issues; but that is not the point upon which I want to interrogate the Senator. I want to ask the Senator from Tennessee if it is not a fact that to-day any member of the Federal reserve banking system that has proper reserves, that has not extended and expanded its credits beyond what is safe and sound banking, may go to the Federal reserve banking system and get rediscounts for farm purposes or for any legitimate purposes?

Mr. McKELLAR. That is not my understanding. My understanding is that the Federal reserve banks in the several districts rate the various member banks in those districts, and, for instance, say that bank A in Memphis shall have a line of credit of \$2,000,000 at 6 per cent, and then increases the rates on up for additional loans; bank B, a line of credit of \$1,500,000 at 6 per cent, and then increases the rates on up for additional loans; but none of them get it for any less than 6 per cent, as I understand, now.

I am not sure that this automatic raising of the interest rates, this very large raising of the interest rates, is the wisest thing to bring about deflation. It seems to me that the better way would be to cut out speculative loans, which could be easily done, and after that is done there will be plenty of money for agricultural and industrial and commercial purposes, which means the business life of our country.

For that reason, Mr. President, I intend to vote for the second provision here as amended, for these reasons: In my judgment it constitutes no criticism of the Federal Reserve Board. This body aided in creating the Federal Reserve Board. Surely we may advise with them; we may give them our views about it. We do not require them to do anything. We merely give them these suggestions. Unless members of the board take the position that on financial matters they are infallible, and that no one else has any right or knowledge on the subject, they will not be offended by what we are honestly and faithfully doing in our service to the people.

It does strike me that under those circumstances it should not be considered by anyone that this is a criticism of the board. I surely do not intend my vote to be a criticism of the board or of the system, because I am one of its staunchest supporters and have been from the beginning. But I shall vote for this resolution because I think it is a wise and proper measure at this time.

Now, Mr. President, I want to refer for just a moment to this proposition in aid of the present situation so far as agriculture is concerned.

I understand that the farm loan act is held up or has been held up for many months by a lawsuit that is now pending in the Supreme Court of the United States. Of course, that lawsuit can not be hurried. Nothing can be done until it is decided. It is very unfortunate, it seems to me, that the

farm loan act is held up by a lawsuit, but when a lawsuit comes we have to look it squarely in the face and take the consequences. I hope I am not trespassing upon the rights or privileges of a coordinate branch of the Government when I say that I hope that court will soon pass upon the question, because should it be passed upon favorably it will tend very greatly to relieve the present situation. If unfavorable, we might be able speedily to correct it. The farm loan bank is of the greatest advantage to the farmers of my State, and if the system were in operation now it would tend to relieve to a very great extent the conditions which exist in my State and in all the other agricultural States. I do not know whether or not we can do anything with it until that opinion comes in, and it is just one of the things that we will have to wait on. I hope it may come in soon.

Mr. President, I wish to offer here a copy of a report made on the War Finance Corporation amendment filed in March, 1919:

SECTION 9.—AUTHORIZATION OF LOANS BY WAR FINANCE CORPORATION TO ASSIST IN THE EXPORTATION OF DOMESTIC PRODUCTS.

This section authorizes the War Finance Corporation to make loans to exporters and to banks, bankers, and trust companies until one year after the termination of the present war to assist in the exportation of domestic products. Because of exchange conditions, thereby necessitating some of the foreign governments putting restrictions upon our exports to them, as it is claimed, it is believed that this provision will materially help our industries in their production during the transition period and to maintain their export business.

This section authorizes the War Finance Corporation to make advances, for periods not exceeding five years, direct to any exporter engaged in the export business in the United States, if in the opinion of the board of directors of the corporation he is unable to obtain funds upon reasonable terms through banking channels.

Any such advance shall be made only for the purpose of assisting in the exportation of such products, and shall be limited in amount to not more than the contract price therefor, including insurance and carrying or transportation charges to the foreign point of destination if and to the extent that such insurance and carrying or transportation charges are payable in the United States by such exporter to domestic insurers and carriers. The rate of interest charged on any such advance shall not be less than 1 per cent per annum in excess of the rate of discount for 90-day commercial paper prevailing at the time of such advance at the Federal reserve bank of the district in which the borrower is located.

This section also authorizes the corporation to make advances for not to exceed five years to any bank, banker, or trust company in the United States which after this section takes effect makes an advance to any exporter for the purpose of assisting in the exportation of domestic products. Such advances are to be limited to not to exceed the amount remaining unpaid of the advances made by the bank, banker, or trust company to the exporter for the purpose of exporting domestic products.

The corporation can not have outstanding under this section and unpaid at any one time advances in excess of \$1,000,000,000.

The corporation at the time of making any advance must require the promissory note or notes of the borrower, together with full and adequate security in each instance by indorsement, guaranty, or otherwise. It shall also retain power to require additional security at any time. Authority is also granted the corporation to extend the time of payment of any advance through renewals or the substitution of any obligations or otherwise, but in no case can it extend the time for payment of the advance beyond five years from the time the advance was originally made.

Under the original act the War Finance Corporation is only authorized to make loans for the purposes set out therein until six months after the termination of the present war. This bill does not change that limitation, but gives the corporation the power to make loans until 12 months after the termination of the war only for the purposes of assisting in the exportation of our domestic products.

In the discussion Friday much emphasis was laid on the fact that under this amendment over \$46,000,000 of business had been done up to the time of suspension. This proposition is effectively answered by the following testimony taken from pages 21 and 22 of Mr. Meyer's testimony:

Mr. LAZARO. I was asking whether he considered that the only remedy.

Mr. MEYER. I say it would be one remedy.

Mr. LAZARO. Can you think of any other remedy?

Mr. MEYER. I prefer to answer that question later, if I may. The business we were considering at the time we suspended operation amounted to \$100,000,000. Naturally we wanted to issue the corporation's bonds to raise the money, but there was no occasion to do it on account of suspension. For instance, a loan of \$8,000,000 was made to a group of banks in various parts of the United States for the purpose of financing cotton exports, and the banks in turn had the security of a syndicate of all the important spinners of Czechoslovakia, guaranteed by the seven largest banks in Czechoslovakia, and the whole indebtedness in turn was guaranteed by the Government of Czechoslovakia.

Under more or less similar arrangements the War Finance Corporation financed the export of \$12,000,000 of wheat to Belgium and \$5,000,000 of condensed milk to various countries in Europe. At the time that it was requested by the Secretary to suspend financing exports it had applications involving the export of \$17,500,000 of copper, \$2,200,000 fabricated steel to Italy, \$5,000,000 "Black Patch" tobacco from Tennessee and Kentucky, \$4,000,000 cotton to Czechoslovakia for a large southern exporter, \$25,000,000 cotton to Czechoslovakia for a group of southern bankers, \$3,000,000 for cotton to Italy by a group of bankers, \$9,000,000 by a group of bankers for export of cotton to Italy, \$24,000,000 for the export of cotton by a syndicate of banks headed by one of the largest national banks in the United States, \$2,400,000 by a group of bankers for coal to Italy, \$4,000,000 by a group of bankers for cotton to Italy, \$4,000,000 for ships to be bought or constructed in this country for Italy; in all,

\$100,000,000 in applications promising practical results with adequate security, according to the opinion of the directors of the War Finance Corporation.

These are not repetitions; they are separate applications, although they sound in some cases the same. In addition to these definite propositions, various other negotiations were under way for further extensive loans which no doubt would have materialized in large financing of exports of various kinds of American products.

Mr. President, I have another matter. I introduced a day or two ago an amendment that I want to offer to amend section 3 of this act. That amendment is very brief. It is as follows:

That factors' paper with cotton or other staple agricultural products as collateral shall be eligible for rediscount in Federal reserve banks.

Mr. President, I offer that now as an amendment. The purpose in offering that amendment is that under the original Federal reserve act I find these words, on page 25, under the powers of the Federal reserve banks. It describes the paper upon which they may lend, and I quote as follows from that page:

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise, from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

Mr. President, to my mind that clearly includes what is known as cotton factors' paper. It has been construed to be a part of that power from the passage of the act down until a few months ago, when this deflation process began. That paper of factors has been made, discounted in the bank, and rediscounted in the Federal reserve bank. It is known as commercial paper with bills of lading of cotton attached.

Now I want to explain to the Senate, as I did in part awhile ago, just what that means, and just what that system of bank business is.

Cotton factors usually have the designation of "commission merchants" attached to them; for instance, "W. A. Gage & Co., cotton factors and commission merchants." I will just take them as an illustration. They have been in business for many years, perhaps half a century, in the city of Memphis. In the spring of the year they lend money to the farmers to grow their crops. They lend it to them from time to time, taking mortgages on their crops and such other property as the farmer may have that they regard as good security. They lend the money from time to time as the crop is in the process of being made.

In the summer or at the beginning of the early fall, when the cotton begins to be gathered, they lend more money in order to pay for the gathering of the crop. When it is gathered they have to pay the ginner, and then the marketing of the crops, the hauling of the crops to the city where the factor is located. Now, when that cotton begins to come in in the fall, the factor under this law and under well-established custom has been in the habit of taking the warehouse receipts for the cotton and attaching them to his paper and going to the bank and discounting it for the purpose of loaning that farmer other money to gather and market the remaining portion of the crop. If there ever was a business which came directly within the purview of this act, this cotton factors' business does come within the purview of the act. The cotton under these circumstances is treated by the farmer and the factor substantially as the factor's cotton. Always before he has been able to borrow money on it; and yet the Federal Reserve Board recently singled out this particular business, and said: "We will rediscount no more cotton factors' paper"; that they would only rediscount it when the farmers themselves made the notes and sent them to the factor, and the factor would then indorse the notes, and they must have the indorsement of the farmers.

That is an impracticable business. It can not be done in more than a very few cases; and the result has been that this great line of business, which has probably been instrumental in producing the greater part of the cotton crop, has just been denied credit at the banks. That is what it means.

Under those circumstances, I do not think it is a criticism upon our part at all, but that it is merely expressing our view to the board, to say that this particular paper is eligible for discount and should be eligible.

Mr. DIAL. Mr. President—

Mr. McKELLAR. I yield to the Senator from South Carolina.

Mr. DIAL. The trouble about that is this, is it not: How are you going to determine what interest the factor has in that cotton? It does not belong to him, except to the extent of the advancement he has made. You would have to safeguard that in some way, would you not?

Mr. McKELLAR. That could be safeguarded without any trouble. It has been safeguarded through all the generations. I know it was a common practice when I was a boy, because I was a farmer, and borrowed money in that way; and it has been a practice ever since, to my certain knowledge. There never has been the slightest question made by the Federal reserve bank until this system of deflation began.

Under those circumstances, it seems to me it was an unwise proceeding; and, with all due respect to the Federal Reserve Board, I think it is an unwise proceeding that a start should be made upon the men who deal with the farmer and who aid him in producing his crops. The farmer should have every facility for obtaining money when his security is good.

Mr. President, the result of this holding has been that cotton factors have either been injured and their customers, or many of them, ruined, or they have been forced to sell their cotton for anything they could get for it in order to obtain the money to pay back the loans that had already been made. The holding of the board has constituted an unlawful invasion of the rights of one class of our citizens. It has had a most depressing effect upon the price of cotton, and it has forced into great distress many institutions and individuals who have furnished the moneys to produce, gather, gin, and market these cottons, and the farmers for whom they acted have been greatly injured.

Mr. DIAL. Mr. President—

Mr. McKELLAR. I yield to the Senator.

Mr. DIAL. I think these people should be allowed to borrow to the extent that they have advanced money; but the law in the Senator's State perhaps would not allow them to borrow on the margin that did not belong to them.

Mr. McKELLAR. Of course, no direction is given in my amendment. It merely says that that paper shall be eligible for rediscount; that is all; and it seems to me that unless we want to single out one of the great aids to production in this country and say that it shall not be entitled to credits, after the Federal reserve act specifically gives them the right, it ought to be done. That is the way it seems to me, and I hope the Senate will look at it in the same way and agree to the amendment.

The amendment I have offered is as follows:

That factors' paper, with cotton or other staple agricultural products as collateral, shall be eligible for rediscount in Federal reserve banks.

Mr. President, I do not desire to take the time of the Senate further. I merely ask that my amendment be voted on at the proper time. I also ask unanimous consent to make a part of my remarks a resolution from the Tennessee Cotton Seed Crushers' Association and certain letters referring to the subject under discussion.

The PRESIDING OFFICER (Mr. TOWNSEND in the chair). Without objection, permission is granted. The Chair hears no objection.

The matter referred to is as follows:

TENNESSEE COTTON SEED CRUSHERS' ASSOCIATION,  
Memphis, Tenn.

Whereas the economic condition of the United States of America to-day is sound, but due to the contraction of credit and the absence of exports there is much distress to agriculture, labor, and commercial interests, with general stagnation of business; and Whereas the welfare of the entire agricultural and industrial life of the country is seriously threatened by the low prices that now prevail for all farm products; and

Whereas the edible oil mills of the United States, which convert the raw material into finished products and distribute them in this country and abroad, should continue to operate in order to provide a ready market to the farmers for their products at fair and remunerative prices and assure the necessary supply of edible fats, cattle feeds, and fertilizers to the country; and

Whereas the representatives of the edible-oil-mill industry of the United States, at a called meeting held at New Orleans this 29th day of November, 1920, having carefully discussed all phases of the situation, do, therefore

Resolve, That the Congress of the United States be urged to proceed in the proper and most direct way, immediately on being convened in December, to direct the following departments of the Government to perform those duties for which they were created, to wit:

First. That the Secretary of the Treasury restore the War Finance Corporation immediately and restore to that corporation the assets it possessed previous to its disbandment.

Second. That the Shipping Board reduce all ocean freight rates to conform to conditions now existing and extend every possible help to American exports.

Third. That the Federal Reserve Board be urged to reduce its discount rates and extend credits in the present emergency.

Fourth. That the Department of Commerce be directed to use every facility of the Government to assist in marketing the surplus agricultural and industrial products of this country at home and in foreign countries.



Senator KENNETH MCKELLAR,

Washington, D. C.

DEAR SIR: We, as well as virtually all the other cotton factors in this city, were caught with a large stock of last season's discolored cotton, a very small percentage of which was considered bollies, or real low cotton; therefore most of this cotton would be classed as from low middling to strict middling, much of which is only slightly discolored by the weather.

It is true that we had a little demand for this kind of cotton even up until this fall, and the buyer was able to fill his orders at most any price which he might offer; therefore we hardly see how we could be blamed for the carry-over.

This fall's receipts began to sell for about 22 cents on our market, and down now to 15 cents and 15½ cents for pretty white cotton; off grades are selling for 8 to 12 cents, and cotton seed are selling for \$20 a ton.

At these prices you must know that the merchants and cotton factors' collections for advances to make this crop would be extremely small—seldom more than 25 to 50 per cent, and in many cases even nothing after the rent is paid, and in most all cases their only security are mules, wagons, and farming implements, which, if forced on the market, would not bring 25 per cent of their value the first of this year.

We will admit that our banks are helping us carry over the large stock of old cotton, but are continually calling for a margin as the price declines, for which we could not complain, and are continuing to put up as long as we have any security, which is now about exhausted.

It is hard to get in more of this year's crop than barely enough to pay the interest on renewals and rents, and consequently we are gradually bleeding to death.

It might have been necessary for the Federal reserve banks to have increased the rate of interest in order to have stopped the inflation, but it does seem that the thing has gone far enough, and that they could afford to reduce their rate so that our banks and trust companies could lighten up on their interest; a few exceptions, however, but we are still paying on very many of our loans from 7 to 8 per cent.

We know that you are interested in our behalf, and hope that you Senators will have no trouble in having something done for our relief, such as the reestablishment of the War Finance Board, and even more than this, if possible. We need immediate relief; I do not see how we can wait until after next March.

If there is not a market opened up for our product somewhere and better prices obtained soon, the wreck to the most conservative business men of the South will be terrible.

Hoping that you appreciate the situation and will lose no time and spare no effort on your part in securing relief.

We beg to remain,

GEO. T. WEBB & CO.,  
By GEO. T. WEBB.

PHOENIX COTTON OIL CO.,  
Dyersburg, Tenn., December 3, 1920.

Hon. K. MCKELLAR,

Senate Chamber, Washington, D. C.

DEAR SIR: This is to advise that a large number of the managers of the cottonseed oil mills from all the Southern States met in conference in New Orleans to discuss the serious conditions of their trade, due to the general business and industrial depressions and lack of an export outlet for products.

It was the sense of the meeting that present prices of cotton seed and cottonseed products are much below the cost of production. Many oil mills have already closed and others are forced to consider taking similar action.

In an effort to relieve the present deplorable situation, the following resolutions were unanimously adopted:

Whereas the economic condition of the United States of America to-day is sound, but due to contraction of credit and absence of exports there is much distress to agriculture, labor, and commercial interests, with general stagnation of business; and

Whereas the welfare of the entire agricultural and industrial life of the country is seriously threatened by the low prices that now prevail for all farm products, which prices mean irreparable loss to the producer; and

Whereas the edible oil mills of the United States, which convert the raw material into finished products and distribute them in this country and abroad, should continue to operate in order to provide a ready market to the farmers for their products at fair and remunerative prices and to assure the necessary supply of edible oils, fats, cattle feed, and fertilizers to the country; and

Whereas the representatives of the edible oil milling industry of the United States at a called meeting held at New Orleans this 29th day of November, 1920, having carefully discussed all phases of the situation, do therefore

Resolve, That the Congress of the United States be urged to proceed in the proper but the most direct way immediately on being convened in December to direct the following departments of the Government to perform those duties for which they were created, to wit:

First. That the Secretary of the Treasury restore the War Finance Corporation immediately and to restore to that corporation the assets it possessed previous to its disbandment.

Second. That the Shipping Board reduce all ocean freight rates to conform to conditions now existing and to extend every available assistance to American exports.

Third. That the Federal Reserve Board be urged to reduce its discount rates and extend credits in the present emergency.

Fourth. That the Department of Commerce be directed to use every facility of the Government to assist in marketing the surplus agricultural and industrial products of this country at home and in foreign countries.

Your efforts in helping to relieve the condition will be appreciated.

Yours, very truly,

D. W. MESS.

TENNESSEE BRICK & TILE CO. (INC.),  
Dyersburg, Tenn., December 1, 1920.

Senator K. MCKELLAR,

Senate Chamber, Washington, D. C.

DEAR SIR: I am quite sure you to some extent are familiar with the general financial conditions of your people, but am of the opinion that it is even more serious than you have yet realized; therefore urge you to use your influence in the Senate to give us some relief.

All classes of business are embarrassed financially to the capacity, including jobbers, manufacturers, retail merchants, and farmers, none of them being able to meet debts due, much less those soon to mature. I have had experience as an office man and manager of business for over 30 years, passing through panics of 1893, 1903, 1907, and 1914, and have never experienced anything to equal this.

There is a feeling among the more intelligent class that this could have been avoided by the Federal reserve bank not deflating the currency to so great an extent and the continuance of the War Finance Corporation.

There is a general hope that when Congress reconvenes they will demand that the War Finance Corporation shall again be made to function and that Congress will demand that the Federal reserve bank lower the rates of interest, so as to save the business interests of this country from bankruptcy.

Knowing that you are deeply interested in the welfare of your people and desire to serve them in a way most acceptable to them, will say that I know a Congressman or Senator that will put forth his best efforts along this line will be greatly appreciated.

Assuring you that I appreciate your past record as a representative and feeling confident that you are willing to accept advice from your constituent and that you will do all you can to relieve things, I am,

Yours, very truly,

C. C. MOSS,  
Secretary for Above-named Company,  
President and Manager Baker-Watkins Supply Co.

Mr. RANSDELL. Mr. President, I will detain the Senate but a few moments. I am decidedly in favor of this joint resolution, Mr. President, but there has been so much said about it already that I shall not attempt to analyze it further. The amendment suggested by the Senator from Nebraska [Mr. NORRIS] is entirely satisfactory to me. I believe it puts the second section of the joint resolution in better form, and I shall gladly support it.

I wish first to read a telegram from the New Orleans Cotton Exchange, dated New Orleans, La., December 8, and addressed to me here:

The New Orleans Cotton Exchange earnestly requests your assistance in bringing about such action through executive or legislative intervention as will accomplish the reinstatement of the War Finance Corporation for relief and restoration of commerce to normal lines. We are not asking governmental assistance to hold cotton or other produce for speculative purposes or to force higher prices upon consumers who have equal rights with trade and producing interests. We contend, however, that justice and equity demand that the National Government, which financed trade movements for foreign nations during the war to the extent of many billions of dollars, should aid in fostering and clearing the channels of American trade sufficiently to enable us to sell to others and to enable others to buy from us the produce which is clogging our trade avenues. If the people are to continue payment of taxes for the support of the Government and liquidation of interest on our national debt they can only do so through the maintenance of trade relations which have been rudely shattered by the course of foreign exchange and the drastic collapse of values of all kinds. The problem which confronts us is beyond the ability of individual enterprise, calling for joint action which can only be secured through Government intervention. We ask that intervention for the restoration of normal conditions through which production may be maintained on natural lines and values may reach a proper level based upon a world-wide law of supply and demand. We are convinced that only by such means may the interests of the Nation as a whole be subserved, and producers and consumers, employers and employees, be placed upon a just and equitable level. The South is nobly stemming the tide of adverse conditions. We ask only that the War Finance Corporation clear the obstructions from our trade. We will do the rest.

EDW. S. BUTLER, President.

Mr. President, the people of New Orleans to whom I have talked—the merchants, bankers, cotton men, and business men generally—believe that very great assistance in the marketing of cotton, the great crop of the South, will be given by the revival of the War Finance Corporation. Personally, I am very strongly of that opinion. I sincerely hope that Congress is going to pass, and pass quickly, the joint resolution providing for the revival of the War Finance Corporation, and expressing our opinion, as set forth in its second section, that the Federal Reserve Board should do everything possible to extend additional credits and lend money at cheaper rates if that extension of additional credits and cheaper money be consistent with sound banking; and that is as far as the joint resolution goes.

Mr. President and Senators, I wish to call the attention of the Senate to a very important proposition which has not been touched on here very much. The United States raises the principal portion of the cotton crop of the world. Fully two-thirds of the cotton of the world is produced in America. I know personally, because I am a cotton grower, that the present price of cotton is at least 50 per cent below the actual cost of production. On my own plantation I am sure that every pound of cotton raised by me this year costs me 60 per cent more than I could now sell it for.

Had it not been for the high prices prevailing for cotton during 1917, 1918, and 1919, there would be very great distress in the cotton sections of the South. The people of the South made a great deal of money last year and the year before. They were very prosperous when the year 1920 was ushered in. But their money has been spent. Never was there so expensive a crop as that of the current year. Wages were higher, food-

stuffs of every kind for man and beast were higher, farming implements of every kind were higher. The crop was very, very expensive, and now it is selling away below the cost of production.

Mr. President and Senators, if we do not get something like an approach to the cost of producing this crop, what is going to happen to the next crop? What will happen to the world if we do not succeed in making at least a reasonable crop of cotton next year? We must, as Senators, look farther than the ends of our own noses in considering a great question of this kind. We must look not only to the marketing of the crop of the current year, but to the production of the crop of 1921; and I say to you, sirs, in the most solemn manner, that in my judgment, unless some provision be made for the orderly marketing of this cotton—I am speaking particularly of cotton—at a price at least approaching its cost, the people of the South will not be financially able to make another crop. It is not what they would like to do, Senators, it is what they will be able to do.

There is no farm crop with which I am familiar—and I have been farming more or less all my life—that is anything like so expensive as cotton. I have heard it said frequently that it takes 13 months in a year to make a crop of cotton. I have myself often seen people picking in the fields the crop of the previous year when plowing the lands to begin the crop of the current year.

Cotton is a very expensive crop to make. It is made almost entirely by hand labor. Machinery helps very little in making the crop. You can plant it by machinery; you can break up the land by machinery; but when that is done you have told the whole story. You have to cultivate it by hand labor. You have to harvest it by hand labor.

Where the money will come from to make another crop I do not know. The banks are already loaded up. The commission merchants are loaded up. The farmers have spent what money they had, and they can not sell the crop they have now, even at the ridiculously low price at which it is quoted.

I think one of the functions of government, Senators, is to assist its citizens to find markets for their products; I do not say now, mind you, to find high-priced markets, but find markets for their products.

We have no markets now. You can not sell the cotton of the South. Even at the present quotation in the New Orleans market of 14½ cents for middling cotton you can not sell it. I do not know what price would force it to sell. If it were put down to 9 or 10 cents a pound, speculators might be found who would buy it. But the mills are holding off from the market; they are paying no attention to it and buying only in very small quantities.

Let me read to Senators a very helpful article appearing in the Baltimore Manufacturers' Record of December 2, quoting from a great English spinner—mind you, an English spinner—located in England. He is a man who consumes the cotton of the South, and he tells the southern farmers to "hold on to their cotton like grim death." It is surprising for an English spinner to say that. I read just a few lines from this very able editorial on page 117 of the Record:

Some weeks ago we mailed to every cotton mill in America and to leading mills in Europe a pamphlet entitled "A Plea for the Cotton Growers of the South," in which are set forth some facts in regard to the cost of cotton raising and to the economic slavery in which the South lived for many years by reason of the low price for cotton. T. Haythornthwaite & Sons (Ltd.), English cotton manufacturers of Burnley, writing under date of November 8 to the Manufacturers' Record, say:

"We have received your booklet entitled 'A Plea for the Cotton Growers of the South,' dated September 9, 1920, and our Mr. W. Haythornthwaite has read it through several times with very great interest. The statement which you make and the information given is something entirely new so far as Lancashire cotton-cloth manufacturers are concerned.

"We have felt, like yourselves, the disability obtaining when buyers persistently hold off, and we have found that whenever the price of cotton shows a consistent rise from a low level to a high level the buyers of cotton and all the various kinds of textile goods from all over the world become very anxious to secure their season's supplies.

That is what they are doing now. The buyers of America and the buyers of England and the buyers of all the world are holding off. We can not sell our cotton because there are no buyers for it. The article continues:

"We can quite believe that the price of cotton shows a loss to the grower, and we are of the opinion that trade will not revive until the raw cotton begins to lift its head from the present very low levels.

"We are of the opinion that all the markets of the world require cotton goods in very large quantities, and we also believe they will purchase until a rising market is in operation.

"Our experience has always shown that to have a large volume of trade confidence in the stability of prices must obtain.

"In February of this year cotton was quoted in Liverpool at 28.40d.; to-day the quotation is 14.50d., and in view of the rate of exchange the price, we consider, is very cheap.

"The solution to the whole position rests with your people as to their ability to hold the goods (cotton). Our advice is 'hold on like grim death.'

"Will you please forward us the average cost of growing cotton at your convenience?"

Here is an admission by one of the important cotton manufacturing concerns of England that it has been heretofore wholly ignorant in regard to the question of the cost of cotton growing in the South and the conditions under which the farmers of this section have had to live during the last 50 years by reason of the poverty prices of cotton. They take the very proper view of the situation that on a falling market people will not buy cotton goods, and that, though the markets of the world need vast quantities of cotton goods, they will not be purchased until there is a rising market.

Then follows a further most interesting discussion by this paper, which I will not take the time of the Senate to read.

Mr. President, the people of the South are going to hold on to their cotton until they can get some one to buy it. They can not make people come and buy it. They are obliged to hold on until some markets are open to them. The mills in this country are living from hand to mouth, manufacturing no more than they are absolutely obliged to manufacture to keep up with their orders; the mills of the Old World are buying practically none; and unless some help can be given for the orderly marketing of the cotton, not holding it for high prices, but the orderly, businesslike, sane marketing, during the course of the next six or eight months I predict, sirs, that there will be very little cotton made next year—not because the people do not wish to make it.

Speaking of myself, I do not know what else to make on my plantation but cotton, and I am in the same situation as many others. I would like to make it, but how am I going to furnish bread, meat, clothes, shoes, seed, and feed for live stock for all the people who live on my property and depend on me for everything unless I can get a little something for the cotton which I made this year and which is now locked up in a warehouse in New Orleans? It has not been sold, and if I were to try to sell it to-day I could not find a purchaser. You must help me and all others to market their cotton in an orderly way.

Is there any reason why a crop which takes 12 months to make should be marketed in 3 months? If we are working at it hard for 12 months in the making, why should we not market it during a period of 12 months? Yet the old rule has been to rush the cotton onto the market and force a sale of it within three months. There is no business sense in that.

All that the joint resolution looks to, and all that it expects to accomplish, is that we will assist export corporations, formed under the provisions of the Edge law, to export, in an orderly way, in a gradual way, the cotton of this country.

I hope that it is going to go up some in price; I sincerely hope so, but whether it goes up or not, when a demand comes from the countries of the Old World, when we have export corporations created and assist them in their financing by the War Finance Corporation, taking securities of the Old World, we will begin to ship the cotton. We will gradually get rid of it, and then we will have a little money with which to make and gather a new crop. I tell you, Senators, this question before you is a serious matter for the United States and for the world, in so far as it relates to cotton.

Now, just this thought to wheat and meat growing sections of the country. The South has not been a very large producer of meats nor of wheat. It has furnished one of the very best markets that the people of the West, the meat and wheat growing sections, have. I have often heard it said that the southern man raised the cotton, and that he had his storehouse or warehouse in the North and the West. There he goes for his oats, his wheat, his meats of every kind. To some extent the South is getting out of that position; to some extent it has been raising its own corn, its own wheat, its own oats, its own meat. Unless we get some help in handling our cotton, and continue to raise cotton, those of us who continue to live on the farms will devote a very large percentage of our ground to foodstuffs of every kind and sort. We will be compelled to do that. It costs much less to plant land in corn, oats, or hay for pasture and grazing hogs, sheep, and cattle than it does to plant it in cotton. One farmer can handle 40 or 50 acres in oats, corn, or hay, but he can not cultivate and harvest more than 10 acres in cotton in the Mississippi Valley, where I live, to save his life, and his wife and children have to help him then.

So, you see, unless we can get some help we are going to turn to other things—the things which have been engaging the farmers of the North and West—and our people, who have been their best customers, will become their competitors, as we will raise more of these things than we need for home consumption.

This question interests all of us. There is a selfish interest in it. We of the South are interested just as much as you of



the North and West are to see you get a good price for your wheat and meat, and you are interested to see us get a good living price, and no more than a living price, for our cotton. Senators, this is a matter of very great importance. I earnestly hope that without further delay the Senate will adopt the joint resolution.

Mr. HEFLIN. Mr. President, I did not intend to take part in the debate upon this very important and meritorious measure. I, with other Senators, was willing to remain silent in order to end the debate as soon as possible and pass the joint resolution, which we believe will carry a large measure of relief to the distressed farmers of the South and West.

The Senator from Connecticut [Mr. MCLEAN] referred to the testimony given by Gov. Harding, of the Federal Reserve Board, before the Committee on Agriculture and Forestry, and quoted him as saying that farmers of the South were trying to borrow money to enable them to hold cotton that they had been carrying for two and three years. I can not allow that statement to go unchallenged. The facts do not warrant anyone in saying that any considerable number of farmers are carrying cotton produced two years or even one year ago. I do not want the impression to prevail here or elsewhere that our farmers, merchants, and bankers, who are honestly and sincerely seeking financial aid in the marketing of this cotton crop so as to prevent tremendous losses are trying to deceive the public or work a "skin game" on the Government.

I do not know of but one farmer in Alabama who has on hand now any of the cotton crop produced in 1919, and he has only about 15 bales. I have only heard of three farmers in all of the cotton belt who still have some of the cotton produced in 1919. The fact is that crop has been consumed.

Mr. President, while I regard the Federal Reserve System as the greatest banking system ever written, I must say that, in my judgment, the Federal Reserve Board made a grave mistake in undertaking to bring about deflation as rapidly as it has.

We are now in the aftermath of a great World War, and in order to prevent disastrous losses in the business of agriculture and commerce, deflation must be brought about slowly and in an orderly way. The matter of deflation can not be accomplished in a brief period of time without producing disastrous results to the agricultural industry and other industries in the country.

Mr. President, I am anxious to reach a vote on the pending measure as soon as possible. I feel that there are Senators enough here favorable to this legislation to secure its passage, and I shall refrain from making any lengthy observations at this time. Quick action is what is needed now. Delay is dangerous.

To unnecessarily prolong the debate in the face of the urgent, crying need of legislative action would present a situation like unto one presented where a dwelling house is on fire and the inmates are crying for aid, and the fire engine is needed and ready to be used in extinguishing the flames, and some one should appear upon the scene and say that while he favored bringing out the fire engine and also favored extinguishing the flames he desired to submit a few observations as to how the engine should be brought out and how it should be used after it was brought out. The house would burn down in the meantime.

There are Senators here who, I am sure, do not understand the distressing condition of the farmers of the South and West. If they did understand the situation just as it is, I do not believe that there would be any hesitancy on the part of anyone in this Chamber in coming quickly to the relief of the farmers of our country.

Gov. Harding, of the Federal Reserve Board, is quoted as having said in a speech out in Indiana the other day that if the "farmers would be patient prices would adjust themselves." Mr. President, I am reminded of an experience that I had as a boy. In company with other small boys, we found an ox who had fallen into a bed of quicksand and he was trying his best to get out. Instead of going after somebody to get the ox out we stood and looked on while the ox and sand adjusted themselves. They did adjust themselves, but when the period of adjustment was ended the ox was dead. If Congress refuses to go to the aid of the farmer in this hour of his great distress and the prices of farm products are left to adjust themselves, the farmers of the South and West will be swallowed up in the quicksand of bankruptcy and ruin.

There is money in great abundance in the country, and it is the duty of the Government at a time like this to do the thing necessary to bring it out of its hiding place. If the interest rates are raised upon the people in the cotton-growing States, as was the case, from 4½ to 7 per cent, and the margin of profit was so small that banks were unable to handle the

cotton, as they did when the rate of interest was, as in 1919, 4½ per cent, and because of that situation money went to New York, where the rate of interest on call money was more inviting, then it is the duty of Congress to direct the Federal Reserve Board to do the thing necessary to bring relief to the great agricultural industry of the country.

But, Mr. President, the suggestion is made that we ought not to instruct or direct the Federal Reserve Board as to just what we desire done to relieve agriculture at this critical time. Why not? Senators in this body voted for a bill which directed the Interstate Commerce Commission to permit the railroads to make 5½ per cent upon their investment, but when we undertake to get money for the farmer at a reasonable rate of interest in order to save him from financial ruin we are warned against the danger of such a course and told that we are undertaking to pass a piece of class legislation. I would remind Senators that the Interstate Commerce Commission has jurisdiction over pipe lines and other agencies of transportation and yet the Senate did not name a single one of them, but specifically pointed out in a bill that passed both branches of Congress that the Interstate Commerce Commission should permit the railroads to make 5½ or 6 per cent upon the money that they had invested.

Why are we not justified to-day in this body in directing the Federal Reserve Board to go directly to the rescue of farmers who are selling their products at prices far below the cost of production? Why not direct that board to give special attention and immediate relief so far as possible to a condition so desperate as that which confronts farmer, merchant, and banker in the agricultural regions of our country? There is testimony in the hearings before the Committee on Agriculture and Forestry to the effect that farmers in the West are selling their corn 44 cents per bushel below cost of production. Let me say just here that cotton at 15 cents a pound, the price now quoted, is 15 cents a pound below the cost of production. Do you think that it is fair and right to permit the farmers of the South and West to bear the brunt of all this slump in the price of their products? Do you not think it fair and just that we should recognize the fact that this dreadful and disastrous condition was brought about not by our farmers but by war?

All admit that the conditions from which they suffer were produced by a war for which they were in no ways responsible, Mr. President, but their boys had a great deal to do with putting that war down, and some of those boys sleep in France, where the poppies grow, and to-day their surviving comrades in the South and West are calling upon the great Government whose flag they followed when the life of the Nation was imperiled to see to it that the evil effects of that war shall not destroy the peace of mind and property of those they love. I went to New York a few days ago, making some inquiries into the cotton situation. I went upon the floor of the New York Cotton Exchange, and I saw them selling cotton down and down. A gentleman told me that Great Britain speculators in Liverpool were selling our market short, selling thousands and thousands of bales for the purpose of beating down the price of cotton so that they could get it and sell it to Germany for more than a dollar a pound in German money.

Is the American cotton producer to be pillaged and plundered in this fashion by cotton speculators in a foreign country while our own Government sits by and winks at the gruesome game? Senators, in 1919 our farmers received 40 cents a pound for cotton. The price was driven down in a few days to 30 cents a pound. Do you know how much loss the cotton farmers sustained on a 10,000,000-bale crop when the price fell from 40 cents to 30? It was a loss of \$500,000,000 for the farmers in seven States to sustain. The manipulators did not stop at reducing the price to 30 cents, they broke it to 20 cents, and if cotton had been sold at that price our farmers would have lost \$1,000,000,000. They did not stop there, they beat the price down to 15 cents, and that represented a loss of \$1,250,000,000 which the farmers of the South would sustain if forced to sell at the ruinous prices now obtaining. Do you wonder that these farmers are crying out for deliverance from conditions that mean their undoing.

The grain growers of the West are suffering in much the same fashion. They owe money and those to whom they owe it are asking that their debts be paid. If they are forced to pay with produce selling under the cost of production they suffer tremendous financial losses.

Then what will happen? I will tell you what will happen in the case of cotton. Cotton is just as certain to go back to a price above 30 cents as we live and God reigns, because the farmers are not going to sell it at the low, destructive prices now being offered. As the Senator from Louisiana [Mr. RANSDELL] has said, they are going to hold it. When they hold it

the spinner at home and abroad has got to have it, sooner or later. The supply of both is nearly exhausted, and when they are forced to come into the spot market and buy the price is bound to advance.

What is happening? Suppose the farmer should have to sell this cotton now; what would he see later on? He would see the speculator who bought it at 15 cents a pound sell it in 90 days, maybe, for 30 cents and above. Why not aid him in obtaining a profitable price?

I wish to remind the Senators from the West—and they are supporting this measure very heartily, I am glad to say—that we buy mules from your people, and for the last year or two we have paid you \$300 each for plow mules. If the price of cotton is beaten down to around 12 or 15 cents a pound, we shall not make 6,000,000 bales next year, and the price of mules will be less than \$100, or around \$100 each. So by destroying the purchasing power of the cotton producer you injure the mule business of the West. We buy meat from the West; we buy grain from the West; and it is hurting the people who produce mules, grain, and meat when we cut down the purchasing power and the debt-paying power of the South. That is not all.

The automobile business is hurt in the South, and every other business is hurt because the farmer, merchant, and banker are tied up hard and fast on account of the low price of cotton.

The Senator from New York [Mr. CALDER] told the Senate of the situation that he found in his recent tour through the South and West. He said that this call for the revival of the activities of the War Finance Board does not come merely from farmers, but comes from merchants, bankers, and business men.

Senators, I think that the psychological effect of the passage of the pending joint resolution will simply be marvelous. With \$500,000,000 of capital to start with, and the ability to issue \$3,000,000,000 more on top of that, the resumption of the functions of the War Finance Corporation is going to have a marvelous effect. What will it do? The men who are hiding their money in order to hold back until the price of cotton gets to the ground and the price of grain gets down to the ground and then buy it and hold on and make hundreds of millions of dollars will say, "Unlock that vault and let that money come out; these people can get money from the Government; they can get it from the War Finance Board, and we had better get back into the market." And they will. So we will have that aid.

Why not let it go out to the country that we have not only revived the War Finance Corporation but that we have instructed the Federal Reserve Board to lend all encouragement and aid possible to the farmers? I think that we need such a provision in the joint resolution, because the impression has gone forth that the Federal Reserve Board has been asking for the curtailment of credit. Why did we put into the law that the Interstate Commerce Commission should permit the railroads—naming them—to make 5½ per cent upon their investment? Is it any more unfair or unjust to name the interest of the farmers than it was to name the railroads? One of them constitutes the great arteries of commerce and the other produces that which feeds and clothes the world.

What are we to do? In one of the orders issued by the Federal Reserve Board in one of the districts they said, "It is the business of this board to control credits and the volume of currency." What does that mean? It means the power of life and death over the money supply and credit of the country. If it is being so controlled that it is not flowing properly, and where it ought to go, what is the duty of this Government in the premises? It is to direct where money shall flow to prevent great financial losses to the people who need aid at a time like this.

Mr. McCUMBER. Mr. President, I have a letter from Beach, in my State, upon this particular subject; and as the writer is a farmer himself, and suggests several remedies that ought to be applied in this case, I shall ask that it be read by the Secretary. I have already spoken upon this subject, and do not wish to take up further time.

This writer suggests four remedial propositions. The first is the prohibition of fictitious sales; the second, the extension of farm credits by the Federal reserve banks; the third is an immediate embargo upon the importation of Canadian wheat; and the fourth is the strengthening of the Federal land bank law, and the elimination of the red-tape requirements of that law.

The last speaker on this subject has stated that he would be glad to stand with the West upon any proposition that will be helpful. The most important thing that is suggested in this connection is the matter of prohibiting importations for some time. Any law of that kind would not affect cotton, to be sure.

There are no imports of cotton, and therefore any embargo against the importation of cotton would not affect us in the least.

Mr. RANDELL. Mr. President, will the Senator permit me to make a correction? We imported 690,000 bales of cotton last year.

Mr. McCUMBER. Yes; there is a little Egyptian cotton imported.

Mr. RANDELL. May I be permitted to say that 690,000 bales is not a little.

Mr. McCUMBER. Comparatively, there is only a very little. In this instance, however, it has not been asked, but in the farmer's instance it is asked. Our complete remedy is in the embargo proposition. There were loaded, I think, half a dozen ships at Port Arthur only the other day to haul millions of bushels of grain from Canada over to Buffalo; and at the same time that these Senators are advocating some method to export our grain, Canadian grain is coming into this country in these unprecedented quantities. I suggest again that we had better stop the importations before we seek to provide some method by which we can export the same number of bushels that we are importing.

We only raise in the United States annually about 750,000,000 bushels of wheat, just a little more than is necessary to feed the American public for one year. If we will give the farmers who raise that wheat the American market for one year, I think the subject will very nearly settle itself; but if to the little surplus that we would have to sell abroad we are to add in the year all of Canada's surplus, amounting to about 150,000,000 bushels, we shall have a more difficult task before us.

So I may have, before I get through here, an opportunity to ask the Senator from Alabama to join with us in an effective remedy. I shall vote for this measure, because I think it may do some good. I should equally vote for every one of the propositions contained in this letter, because I believe that each one has some merit and all of them together might produce the result needed.

I ask that the letter may be read from the desk.

The PRESIDING OFFICER. Without objection, the Secretary will read as requested.

The Assistant Secretary read as follows:

BEACH, N. DAK., December 7, 1920.

Hon. P. J. McCUMBER,

United States Senate Chamber, Washington, D. C.

SIR: As a farmer I desire to call your attention to some things of which you are well aware and in which all farmers are vitally interested.

The recent tremendous fall in the price of wheat to \$1.17 on the local market here when the actual cost of producing wheat in my case was about \$2.50 per bushel, and I know that the cost of production in my case was much lower than most of the farmers in this part of the State. From all I can learn there was nothing to justify the price of wheat ranging as low as it did. Authorities are all agreed that there is a great shortage of wheat in the world to-day, and yet notwithstanding this the farmers of this country are compelled to produce their wheat at a tremendous loss. We can not expect the farming interests to prosper under these conditions; in fact, if they continue the farming industry in this country will be destroyed. Now, it seems to me that this is a national question and one that ought to be dealt with by the National Congress.

As a first remedy it is pretty well-nigh the unanimous opinion of the farmers of the country that the present practices of speculation on the boards of trade ought to be abolished; that fictitious sales of wheat when no delivery of the same is intended should be prohibited absolutely.

Another thing that would help is a more liberal extension of farm credits by the Federal reserve banks. The present attitude of those in control of these banks is to ignore the demands of the farmers, and put all available money at the disposal of the speculators in the great eastern centers. The Federal reserve banks of North Dakota have absolutely failed to assist the farmers in any manner. The farming industry is entitled to credit when backed by good security just as much as any other industry, and in its present condition it needs the aid of that credit if it is not to be ruined.

Provision should be made for the immediate shutting out of Canadian wheat when conditions arise such as we have just passed through.

The present Federal land bank law should be strengthened so that loans could be made to farmers with less red tape than under the present law. This law should be put in such shape that a man without land and without money, but with a knowledge of farming should be enabled to acquire a farm at a low rate of interest and covering a long period of time. The present tendency of the farming industry is to drive the farmers off the land. We want legislation that will encourage those who are on the land to continue to stay there and to enable others to acquire farms. The farmers of the country are united in their support of the principle underlying the present land bank, but they want the functions of this bank enlarged.

I hope that you will give the above matters your earnest attention, and if there is anything I can do toward aiding you in bringing about better farming conditions I will gladly do so.

Yours, respectfully,

CONRAD FAKLER.

Mr. CALDER. Mr. President, the other day when the senior Senator from Georgia [Mr. SMITH] was addressing the Senate I interrupted him and referred to an experience I had in the West and South during the month of November.



Mr. President, I am chairman of a subcommittee of the Senate which is making a nation-wide inquiry relative to housing conditions in the Nation and matters pertaining to housing. Our committee took it upon themselves, however, when we discovered the great business depression about the country, to inquire into the general business situation. Wherever we went we inquired of the bankers, merchants, and farmers just what they thought would bring the greatest relief in this emergency. It is contended everywhere that although this country now has a surplus supply and Europe an unfilled demand the law of supply and demand has been set aside through the breaking down of the medium of credit exchange.

I am going to read some extracts from the statements made to our committee in its examination of conditions throughout the West and South—the statements of some of the leading men of affairs in the part of the country we visited.

Mr. James B. Forgan, chairman of the board of directors of the First National Bank of Chicago, Ill., and perhaps one of the greatest bankers in the country, said this:

I was in accord with the action of the Secretary of the Treasury in suspending the War Finance Corporation; but due to changed conditions it might be helpful to resume. It would be too bad not to adopt every facility we have to help out at the present time.

Mr. Henry G. Wallace, editor, of Des Moines, Iowa, one of the best-informed agricultural writers of the country, says:

Revival of the War Finance Corporation would relieve the situation as to meat and farm products.

Mr. B. F. Kaufman, president of the Bankers' Trust Co. of Des Moines, Iowa, said:

Some system of establishing credits so that foreign nations could buy would assist us in solving the wheat problem. Bankrupt countries can not buy our commodities unless we extend them credit. I believe that there is 10,000,000 bushels visible supply of corn now as compared with 4,000,000 visible supply a year ago.

Mr. EDGE. Mr. President—

The PRESIDING OFFICER. Does the Senator yield to the Senator from New Jersey?

Mr. CALDER. I yield.

Mr. EDGE. If it will not interrupt the Senator, following the opinion the Senator has just read as to the large supply of wheat which could be sold abroad, if we reestablish the War Finance Corporation for the purpose, as is frequently expressed, of extending credit in order to finance the purchasing abroad of wheat and to increase the price in order to meet the situation, as it is frequently described, that at the present prices the farmers will lose so much money that they can not afford to sell, and with the importation of wheat, now thoroughly understood, from Canada at lower prices, how could it be possible to help export or sell this American wheat in the face of that situation if we had 50 finance corporations?

Mr. CALDER. Mr. President, in reply to the Senator from New Jersey, I do not see how it is possible for us to sell high-priced wheat in Europe just now, no matter how many war finance corporations we have and how we permit them to extend credits for foreign financing. I do believe, Mr. President, that with the demand for wheat undoubtedly existing in Europe, if we read aright the newspapers, at the low price at which wheat is selling now it would be possible for us to finance its exportation.

Mr. EDGE. I am rather inclined to agree with the Senator. Then that will not solve the problem we hear and read so much about, that at present prices the grain farmers will be ruined and that this particular legislation will solve this problem and raise prices.

Mr. CALDER. Mr. President, I have no idea that this legislation is going to raise prices. I believe it is going to provide facilities for farmers and manufacturers in this country to get rid of their products at the present market prices. We were told in the West by many men that there was a foreign market, but they had no credit by which they could bring their goods to that market. We have been talking in this Chamber for months against high prices, and I knew, too, that the condition of affairs now apparent throughout the country was bound to come, and I am not sorry it is here. We had to have this deflation, and had to have this lowering of prices, and the business men and the farmers of the country have to make up their minds to take their losses.

But, Mr. President, if it is possible anyhow, any place, anywhere to afford an opportunity to dispose of the crops and the products of the factory at the present prices, then let us do it by all means, and give us an opportunity next spring to resume business again.

Now, Mr. President, referring again to what Mr. Kaufman, president of the Bankers' Trust Co. of Des Moines, said:

I think it would be helpful if there were some system by which the Government through a revolving fund could help foreign nations establish credits. I think loans to American banks through the War Finance

Corporation would be advisable at this time and would be helpful in the movement of American products, and that it is more desirable than attempting to finance commodities in warehouses in this country.

That is in line with the contention of the Senator from New Jersey [Mr. EDGE].

Mr. Albert A. Reed, vice president of the United States National Bank of Denver, said:

Little or no progress has been made in our efforts to reduce the volume of credits. There is no margin of credit available for investment in fixed capital. The chief causes for our inability to reduce loans are the collapse of the wool market, the shortage of grain cars in August and September, the reluctance of farmers to market their grain at prevailing prices, the decline in prices of live stock, etc. Anything that would increase the orderly marketing of farm products, or mineral products or any other American products would increase the prosperity of the entire country and would be reflected here.

Mr. Flower, president of the Fidelity National Bank & Trust Co., of Kansas City, said:

We have had a very acute financial situation in Kansas City for the last six months, and it is not through yet. It started in last spring at the time the Grain Corporation withdrew its heavy deposits which they had in the national banks of this city, totaling some \$27,000,000. The banks were not able to liquidate as fast as the withdrawals were made. Since that time we have had to finance the wheat crop, and when it came to disposing of the wheat crop, which is the big ready money in this section, the car shortage was felt, and when we got cars the prices kept dropping down and the farmers refused to sell. The country banker has carried his farmer who has withdrawn his deposits, and the shrinkage in deposits during the past few months has been very great, perhaps 25 to 30 per cent. It is the wheat and cattle in this section that affects us. I would think that from a banking point of view and from the point of view of the producers of American products who can not find markets that an emergency exists.

Mr. C. P. J. Mooney, of Memphis, Tenn., said at St. Louis:

Foreign buyers are practically out of the market for dark tobacco grown in Tennessee and Kentucky by some 80,000 small farmers, whose crops last year amounted to about \$40,000,000. Seventy-five per cent of it has been marketed to France, Germany, Italy, and Spain, very little being marketed in this country, and that only for snuff. Inasmuch as the American market is limited, the inability to export brings distress to the people who have been producing the dark tobacco. We thought when rice dropped to a dollar this summer there would be added domestic consumption of rice, but apparently the people of the United States do not appreciate rice as a food crop. We have exported much of the stuff we have grown. Until the war broke out it was cotton every fall that brought back the gold from Europe. If we are to sell to France, Germany, Italy, and Spain, and other continental countries, we must finance these sales. The Nation secured a victory in the World War and we must now bring it about so that the exchange of world products throughout the world can be resumed. I believe the way is by means of the Edge bill and by the resumption of some of the work that was done by the War Finance Corporation.

Mr. Hecht, president of the Hibernia Bank, of New Orleans, is perhaps one of the greatest bankers in the South, if not one of the greatest in America. He has just completed the organization of a six-million-dollar bank under the Edge Act, the first one that has been completely organized in this country. Mr. Hecht said this:

The suspension of the War Finance Corporation activities at the time they were suspended was justified, but I am quite convinced that the complete change of conditions since that time would fully justify its resumption. Six months ago we all had the honest belief that we had a shortage and underproduction of everything, but we now find ourselves with an apparent tremendous oversupply. The demand for products has declined in the same ratio as prices. Nobody likes to buy on a declining market, but there are a great many countries that have not only a desire to buy but an urgent demand for some of the very products we are talking about. These countries are not able to get the goods because there does not exist financial machinery to make it possible for them to buy. The War Finance Corporation did a great deal to relieve that situation, and the organization of one or more Edge banks can help out some, but it would help ten times as much if the War Finance Corporation could function, because otherwise the functioning of these Edge banks will be more or less limited.

Charles De B. Claiborne, vice president of the Whitney Central National Bank, of New Orleans, said this:

Europe has bought very little [cotton] this year. We tried to obviate that by the formation of a three-million-dollar bank under the Edge Act, but we gave up the idea because the War Finance Corporation, we understood, was not to function normally. I believe it was very disastrous, because, if you will notice, sugar, rice, cotton, and other commodities have gone below the cost of production, and it is going to cause a great deal of hardship throughout the South if something is not done. There is no market at all and we look for a very slow liquidation in the next six months unless something is done to assist us to export commodities. I think resumption of the activities of the War Finance Corporation would be one of the most potent factors in helping the present financial situation, in helping the orderly marketing of products.

Mr. President, I have numerous other comments on this subject from other bankers of the South and West, but I will not take up the time of the Senate to discuss them just now.

Let me say, Mr. President, that there is no question in my mind—and I speak as a New Yorker, representing the greatest State in population and wealth and in the way of conservative business—speaking for that State, because I have tested the judgment of the leading business men of New York, there is no question in my mind that the revival of this War Finance Corporation will do much to facilitate our foreign business. I am sure it will be helpful, and I am sure that the great body

of the business men of America would be glad to see it revived. The psychological effect of it would be wholesome, and I am confident it would do much good in the country as a whole, both in the agricultural sections and industrial sections as well.

Mr. SPENCER. Mr. President, I want to vote for this joint resolution, because the purpose which it has in view meets with my support, as it does doubtless with the support of every Senator on the floor.

Yet I have two objections to the joint resolution, both of which are obviated by a substitute which I had printed Saturday, and which is upon the table, and which I will now ask that the Secretary may read.

The PRESIDING OFFICER. Without objection, the Secretary will read the proposed substitute for the information of the Senate.

The READING CLERK. Strike out all after the resolving clause and insert:

That in the judgment of the Congress the War Finance Corporation should resume its operations.

Sec. 2. That the Federal Reserve Board should fully cooperate in such renewed activities of the War Finance Corporation.

Mr. SPENCER. Mr. President, there is an old legal proverb that hard cases make bad laws. There undoubtedly is the hard case here, the situation both with regard to wheat and cotton, as well as other agricultural and industrial products, and it may well cause anxiety. But if you attempt, in curing the case, to formulate concrete and detailed directions, either to the War Finance Corporation or to the Federal Reserve Board, you have established a precedent which is dangerous. I do not know why it is that the price of wheat has diminished as it has. There are 29,000,000 bushels less in the harvest of last year than the average of the last 10 years. There is a hungry world needing wheat and the exports have been twice as great as the normal exports of wheat, and yet, in spite of those two facts, which would naturally mean a rising market, we have had a constantly declining market, to the detriment of the farmers in every section of the land.

My own judgment, in passing, is that the cause of it lies in the absence of investment buying; I mean to say in the buying on the part of millers and manufacturers who normally, whenever the prices of wheat began to decline in view of a future crop, bought heavily and stopped the decline. In the present financial condition of the country they buy only from hand to mouth, and when the market started to decline the purchasing that had always heretofore stopped the decline was not present and the decline continued until we are met with the situation which we have to-day.

This joint resolution, as it is offered, confines the attention of the War Finance Corporation to the rehabilitation in the financing of the exportation of agricultural products to foreign markets. That is good. The encouragement in the exportation of agricultural products to foreign markets is necessary; so is encouragement of the exportation of copper, of farm implements, and of industrial products.

Mr. SMITH of Georgia. Mr. President—

The PRESIDING OFFICER. Does the Senator from Missouri yield to the Senator from Georgia?

Mr. SPENCER. I yield.

Mr. SMITH of Georgia. I shall offer in a few minutes, before the Senator's substitute is voted upon, an amendment adding "and other," so that it will read—

the exportation of agricultural and other products to foreign markets—broadening the provision so as to include all.

Mr. SPENCER. I thank the Senator from Georgia. As is always the case, his amendment is helpful, and in my judgment it does strengthen the joint resolution.

But why specify any article of export? Why say to the War Finance Corporation, "Encourage wheat, encourage cotton, encourage agricultural production," and refer to other products of the Nation, even by the language of the proposed amendment? Why do we not get precisely the same result and obviate a bad precedent if we say to the War Finance Corporation, "In the judgment of Congress you ought to resume activities," and let it rest there?

Mr. HITCHCOCK. I think I can give the Senator a suggestion which possibly will include a reason for putting the emphasis on agricultural products. Congress has already done something which has facilitated greatly the exportation of other than agricultural products—manufactured products. The Edge Act operates very largely to promote the exportation of manufactured products—

Mr. SPENCER. Did I understand the Senator to say the Edge Act?

Mr. HITCHCOCK. The Edge Act; and moreover the other legislation which Congress has passed has facilitated greatly the combination of manufacturers for the exportation of their goods.

And there is still another reason. During the existence of the War Finance Corporation, most of its financial aid was extended to manufacturing institutions for the exportation of their goods, the obvious reason for that being that they were ready to apply to the War Finance Corporation and in a position to receive the aid of the War Finance Corporation. But when we come to agricultural products, no such machinery exists; it is more difficult to find any organization ready to apply to the War Finance Corporation. The agricultural producers are not united, as are the manufacturers, in great corporations.

So one of the serious evils from which we are suffering at the present time is that the agricultural interests of the South and the agricultural interests of the West have lacked some aid of this sort to promote their exportations. I think, therefore, it is not unwise to emphasize the need of aid for the agricultural products and that the additional language suggested by the Senator from Georgia [Mr. SMITH], to include any other product, is perfectly reasonable.

Mr. SPENCER. Is it not true that if the language of the original resolution specified agricultural products and the amendment of the Senator from Georgia adds to it other products, industrial or agricultural, the result is that the War Finance Corporation is asked to resume activities for all the products of the Nation? And if that is true, is it not a safer and simpler way of getting at it by expressing to them the judgment of Congress that they resume their operations; for the result is the same?

Mr. SMITH of Georgia. The view of the Senator from Nebraska [Mr. HITCHCOCK] was the view of the Committee on Agriculture and Forestry, that the situation with regard to agricultural products justified our "emphasizing agricultural products, although for myself I wished to add "and others." The opinion of the committee at the time they used the expression "agricultural products" was that even if no other language was used, under the general terms of the joint resolution, if the War Finance Corporation resumed activities it would apply to all classes of products, and they simply meant to emphasize agricultural products. My own view was that it might be misunderstood; it might be thought that we only wanted to renew operations as to agricultural products, and therefore that we ought to add the words "and others."

Mr. SPENCER. I agree with the Senator as to the benefit of his amendment, but is it not true that it was the main purpose of the joint resolution, though it did originate with the Committee on Agriculture and Forestry, who undoubtedly had agricultural products mainly in mind, to give expression to the judgment of Congress that the War Finance Corporation, whose operations had been suspended in May by judgment of the Secretary of the Treasury, should now be resumed, and is it not the main purpose of the joint resolution to resume the activities of the War Finance Corporation? As the Senator from Nebraska [Mr. HITCHCOCK] suggests, they should give particular attention to agriculture; but are we not opening a door that will be difficult to close when we say to an agency of Government, "Direct your assistance, your financial operations, along a particular line"? Are we not on wiser and safer ground when we say "act," and leave it to their own judgment, for they must have information as to the state of the country and as to the need of any particular product. Then if their action is against what Congress thinks it ought to be there may be occasion for legislation; but on an expression of opinion detailed direction seems to me unwise.

Mr. SMITH of South Carolina. Mr. President—

Mr. SPENCER. I yield to the Senator from South Carolina.

Mr. SMITH of South Carolina. I think if the Senator is at all familiar with the circumstances, even in normal times, under which farmers produce and sell, he will realize that they are radically different from the organized industries of our country and that in a time of stress like this everything moves along the line of least resistance, and he, the farmer, offering the least resistance, of course is first sacrificed. We realized during the war that he is of paramount importance to the country. I think for the first time in the history of America the relationship of agriculture to the welfare of the country was realized. This is for his particular benefit, not to ignore others under the law, but particularly to direct the attention of the War Finance Corporation to the distressed condition in which agriculture now finds itself.

Why, has it not come to pass, if the Senator will allow me, that one of the leading men of the West appeared before our



committee and testified that he himself had killed sheep and fed them to hogs because it was unprofitable to ship them to the market. Corn is being burned for firewood; cotton is standing stagnant on the wharves and rotting in the fields and sheds of the South, with the world shivering and naked.

Surely we should have brains enough, knowing where the cancer is, to apply the remedy. These other men will take care of themselves largely when this fundamental element of our commerce begins to function properly. Surely it is wise and proper right now for us to direct attention specifically and directly to that great disorganized mass, the aggregate of whose productions excels all other productions.

Mr. SPENCER. Does the Senator think the War Finance Corporation is in entire ignorance of the agricultural conditions which the Senator so eloquently describes?

Mr. SMITH of South Carolina. As a matter of fact it may not be; but if we simply reenact the law without giving them the specific thing we want to help, we may not obtain the result we are after. Are we to sit here and leave it to them, when we are the representatives of the people who are supposed to point out the particular evils and emphasize them? Are we to close our mouths and leave it to those who administer the law when there is nothing in the law which calls specific attention to a specific evil?

Mr. SPENCER. If the board know and recognize the evil and have the power to remedy it, is it unnatural to suppose that they will apply their powers to remedying the evil about which they know?

Mr. SMITH of South Carolina. As a matter of course they might be inclined to do so, but they certainly would go about it more liberally and freely if they were directed specifically by Congress to take care of this fundamental matter.

Mr. SPENCER. The Senator has no doubt about their power to act now?

Mr. SMITH of South Carolina. Oh, I think there is doubt of it.

Mr. HITCHCOCK. If the Senator from Missouri will permit me to follow my line a little further, the record of the operations of the War Finance Corporation shows that they gave credit chiefly to manufacturing concerns. I think it desirable to call their special attention to agricultural interests.

For instance, of the total of \$47,000,000 which they advanced for export, \$5,000,000 went for the exportation of locomotives, \$10,000,000 went for the exportation of electrical equipment, \$4,000,000 went for the exportation of agricultural implements, \$5,000,000 went for the exportation of condensed milk, and so on. All those great exportations were made by great manufacturing concerns. I am not criticizing them for making those advances, but I think it is the desire of Congress in passing this joint resolution that the War Finance Corporation shall give its particular attention to agricultural products for exportation. Therefore I see no objection to placing the emphasis upon agricultural products.

Mr. SPENCER. I quite agree with the Senator from Nebraska that there has been an undue proportion perhaps of manufactured articles, and yet if the Senator from Nebraska will think a moment he will see where the joint resolution, as it is originally proposed, would lead us. If we pass the joint resolution as it is submitted we say to the board, "Through your operations you are facilitating manufacture too much at the expense of agriculture." We are substituting our judgment for theirs in the proportion of their activities to one line of American products over that of another.

Certainly the Senate would not consider it wise for Congress to keep a tabulated account and say, "To-day you gave too much assistance to locomotives and too little to farm implements, too much to manufactured products and too little to cotton or cotton products." There must be a discretion vested somewhere, and my point is that just in proportion as we make a specific recommendation or direction, as it originally was, along a certain line, we are opening the door to a future that will cause us trouble.

My second objection to the proposed resolution has to do with the second section, and is stronger than the first. I wonder if Senators have read it as I read it, that it is proposed to say to the Federal Reserve Board, "The Congress of the United States wants you to grant liberal extensions of credit to the farmers of the country at the lowest possible rate of interest." I submit that that direction to the great Federal Reserve Board is ridiculous. It is more than any stockholder would attempt to give to any bank in which he might have control of the capital stock. The Federal Reserve Board are there with their tremendous powers and their great resources, and Congress, not by law, but as an expression of opinion upon a subject which no one of us is presumed to have the same

amount of experience or knowledge as the board whom we are directing, says to them, "In the functioning of your activities remember that at the lowest rate of interest you are to pick out a single class and give to them the most liberal financial accommodation."

Certainly the farmers are entitled to liberal accommodation. Certainly there can be no argument about their need of it. But have we not gone as far as Congress ought to go when we say to the Federal Reserve Board, "There should be a resumption of the activities of the War Finance Corporation that we have devised. When they resume we give you our judgment that you ought to cooperate fully with them in their activities"? Everything that purports to be accomplished by the joint resolution, it seems to me, is accomplished by the substitute. If it is not, the substitute does not accomplish what I have in mind.

Mr. NORRIS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. NORRIS. What is the pending motion?

The PRESIDING OFFICER. The amendment offered by the Senator from Georgia [Mr. HARRIS].

Mr. NORRIS. I ask that the Secretary may state the pending amendment.

Mr. HARRIS. Mr. President, I ask that my amendment may be changed to read 5 instead of 6 per cent.

The PRESIDING OFFICER. Without objection, the change will be made as requested, and the amendment as modified will be stated.

The READING CLERK. As modified the amendment is to strike out, on line 16, the words "the lowest rate of interest" and insert in lieu thereof the words "not exceeding 5 per cent per annum."

Mr. WADSWORTH. Mr. President, may I ask the Senator from Georgia [Mr. HARRIS] if the amendment, if adopted, is directory upon the Federal Reserve Board to say that no rate of interest over 5 per cent shall be charged?

Mr. HARRIS. It is.

Mr. NORRIS. Mr. President, I think there will be no doubt, I should like to say to the Senator from Georgia, that the substitute for section 2, which will be offered when the parliamentary situation is such that it can be presented, will be agreed to. I believe, from what I have heard from Senators, that the Senate is almost unanimously in favor of the adoption of the proposed substitute. If that is done, then, of course, the amendment would not be applicable.

Mr. GRONNA. May I ask the Senator to which substitute he has reference?

Mr. NORRIS. The substitute for section 2. The Senator from Georgia has an amendment pending to that section. Of course, I concede that that would take precedence, even if the substitute were offered. I supposed that the senior Senator from Georgia had a motion pending adding the words "and other," so as to read "agricultural and other products." I supposed that was the pending motion. If there is no debate on it, I do not care, but I think if it were agreed to it would practically destroy the effect of the joint resolution.

Mr. HARRIS. Mr. President, if my amendment shall be voted down, I desire to say that I expect to support the amendment of the Senator from Nebraska [Mr. NORRIS]. Last year Congress guaranteed the railroads 5½ per cent and they raised freight rates and passenger fares. The farmers are in a worse condition now than were the railroads at that time. We simply ask a rediscount rate on agricultural products not exceeding 5 per cent. I think Congress should grant the farmers every possible help in their distressed condition.

Mr. POMERENE. Mr. President, I cannot allow the amendment which has just been made by the junior Senator from Georgia to go unchallenged. Congress made no guaranty to the railroads after September 1. There was a guaranty made to them of the average rate of return for the three years previous to that time because guaranties had been given to the employees. After that there was simply a rule adopted for the direction of the Interstate Commerce Commission, namely, that they should make rates which it was supposed would return 5½ per cent or, in their discretion, 6 per cent. That is all. There was not any guaranty about the law.

Another suggestion, if I may be permitted to make it: I called attention this afternoon to the fact that there were 12 States in this Union in which the contractual rate of interest was 10 per cent and 10 States in which the contractual rate of interest was 12 per cent. If we are going to limit the discount rate to 5 per cent, we shall be simply helping the banks make the difference between 10 or 12 per cent and 5 per cent. I do not know how that is going to aid any farmer.

Mr. GRONNA and others. Question!

The PRESIDING OFFICER (Mr. STERLING in the chair). The question is on the amendment of the Senator from Georgia [Mr. HARRIS]. [Putting the question.]

The amendment was rejected.

Mr. NORRIS. I now offer the committee substitute for section 2.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT SECRETARY. In lieu of section 2 of the joint resolution as it is printed it is proposed to insert the following:

Sec. 2. That it is the opinion of the Congress that the Federal Reserve Board should take such action as may be necessary to permit the member banks of the Federal Reserve System to grant liberal extensions of credit to the farmers of the country upon the security of the agricultural products now held by them by permitting the rediscounting of such notes of extension at a fair and reasonable rate of interest.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Nebraska.

Mr. NELSON. Mr. President, I have made up my mind with some reluctance to support the pending joint resolution. I have not any great hope that it will accomplish much good, but its psychological or moral effect may possibly be productive of some benefit. I wish, however, to call the attention of Senators to the powers of the Finance Corporation. Those powers are found in two paragraphs of section 7 and in section 8 of the act, and I do not see how, if we properly construe the language of those paragraphs, the Finance Corporation can render any aid in the present emergency.

Mr. SMITH of Georgia rose.

Mr. NELSON. I will yield in a moment. They certainly can not do so except indirectly through the banks.

Mr. SMITH of Georgia. Mr. President—

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Georgia?

Mr. NELSON. I do.

Mr. SMITH of Georgia. That act was amended on March 3, 1910, and the powers of the board are given in section 21. They are entirely different from the original war powers.

Mr. NELSON. I now notice that. Their powers are increased to the extent of allowing them to promote commerce with foreign nations, but the question is, In what manner are they to give relief? Will farmers' organizations—and we have them—which are engaged in shipping farm products be in a position to avail themselves of the law? I ask the Senator from Georgia that question.

Mr. SMITH of Georgia. Yes; there are organizations of exporters engaged in exporting farm products; there are many exporters who export farm products; and the War Finance Corporation under section 21 would be able to aid those exporters in carrying the credits of central Europe, which are required for a longer time than the banks can carry such credits.

Mr. NELSON. But here is the question: It is not intended to cover the borrowing of money for the export trade, but the furnishing of money to enable the farmers to hold their crops over in this country, to stop the sale of them, if you please.

Mr. SMITH of Georgia. The War Finance Corporation is given the power to aid in carrying credits for exports, and that part of the joint resolution is intended solely, through longer credits, to facilitate the exportation of raw materials and manufactured products into countries which otherwise could not buy them.

Mr. NELSON. The difficulty in this matter, it seems to me, is that we may furnish the money, if we can do so, to carry the crops, but that will not enhance the price of the crops or give us a better market. To get a better market we must have a greater demand from abroad. In this country we raise a surplus of agricultural products; our production is much greater than our consumption. We have to get rid of that surplus, and in order to get rid of that surplus we must sell it to advantage in other countries. With the exception of two crops produced in the United States, namely, cotton and corn, we come in competition with all the world.

In this connection I heard an intimation to-day that we ought to open some markets in Europe that are not now open. In normal times, prior to the war, the great wheat countries of the world were the United States, Russia, and Rumania. The United States and Russia from year to year had a large export surplus, and next to them came Rumania. This year, fortunately, Russia and Rumania are closed to us, and I doubt very much, if they were not closed, whether there would be a surplus in Russia or whether there would be much of a surplus in Rumania, which is one of the Balkan States. I mention this in order to call attention to the fact that, although some contend that we should open our doors to the trade of Russia and of the Balkan States, that could not possibly help the farmers of this country, because those countries, if they had law and order within their borders, would be our greatest competitors.

What is needed above everything else is to restore law and order in the countries of the Old World and put them in a condition where they can purchase our surplus products. They are hard up to-day; they have no money; they have no credit; and the great desideratum is to bring about such a condition in Europe that they will be able to consume more of our products and will have either money or credit to pay for them.

If the corporation to which the Senator from New Jersey [Mr. EDGE] referred to-day could thus raise a billion dollars and devote it to the marketing of American products, so that the money, although loaned to Germany or other countries in Europe, as in the case of our war loans, would be expended here for the purchase of American products, it would be a great help.

It is some time since the law in regard to export associations was enacted. I supposed at the time that the bankers would organize such associations, but the indications are now from what took place at Chicago that the bankers, while they are willing to organize them and to father them and be a wet-nurse to them, yet expect the farmers to buy the stock and debentures; or, in other words, they want the farmers to use the name of the bankers; they are willing to father the scheme, but they are unwilling to put in all the money that is needed. They want the farmers to take the stock and debentures of the corporations organized. That is a feature that I do not like. I should be glad to see the great bankers of New York and Chicago and other places patriotic enough to raise the money for these purposes themselves, without calling upon the farmer.

The bankers in New York have lately been making loans to foreign Governments at the very high rate of 8 per cent. Denmark lately secured a loan of 1 I have forgotten how many million dollars at 8 per cent. I think Sweden also secured a loan; I know that Norway did. The bankers have money to loan to foreign Governments at exorbitant rates of interests, but they are unwilling to put their hands into their pockets and raise the money that is necessary to help the farmers of this country.

We passed the act providing for the creation of export associations, I think, during the early part of the last session of Congress. I could see through it then. It appeared to me that it was a scheme in behalf of the bankers. While on its face it purported to have back of it public-spirited motives of the highest character, yet it was a scheme to organize corporations, to scatter their bonds and debentures amongst the American people, and to have the rank and file of the farmers and poor business men buy the bonds and securities, and thus compel them indirectly to finance the transactions, instead of the great bankers and the moneyed men of Wall Street going into their own pockets and furnishing the necessary capital.

I am not an enemy of great money concerns. I have not reached that condition, Mr. President; but what I do not like about them is to have them pose as ready to help the American people, ready to go into their own pockets and aid in an essential work, and then go out to Chicago and hold a convention and see how many farmers and cattle raisers and other men they can get to come in and take the stock of the corporation.

I have only one word more to add, and it is practically what I said in the beginning. I gravely doubt whether much good can be done by this proposed legislation; but I am willing to try the experiment. The moral effect of it may be good. Psychologically, it may have a beneficial influence; but otherwise it will not count for much. I think there is another thing that we need at present. Canada is flooding this country with her wheat products. I see by to-day's paper that Canada is rushing in her wheat, fearing that we will put an embargo on it. I trust we may put an embargo on the shipment of Canadian wheat; but, after all, that will be only a temporary relief, because whatever Canada does not ship to the United States of her agricultural products she will ship to Europe, and there it will come into competition with the surplus which we ship there. So it will be, as I might say, a mere temporary tonic, and yet we ought to try it.

Conditions among the farmers are a great deal worse than people in the East imagine. Our farmers had to pay enormous wages, from \$4 to \$6 and \$8 a day. They had to pay twice as much for thrashing their grain this year as they ever paid before, and now they are confronted with the prevailing low prices that really do not furnish them one-half of the cost of the production of the grain. I am not as familiar with the cotton situation as are Senators on the other side, but I know the cotton producers are suffering. They are suffering from another cause. We suffer because of the competition of the wheat from the Argentine, Australia, and other countries. There is not the competition in cotton that there is in wheat. There is not the competition in corn, even, that there is in wheat; but the cotton producers are suffering from the stagnation that exists in the manufacturing world. There is a lack of demand in the textile



manufacturing world for cotton. I am sorry for the cotton growers. I feel for them just as I do for the farmers in my country, and I hope that we will do our very best to get relief for them.

Another matter about which I want to ask the indulgence of the Senate briefly is this: We have on the calendar a bill which was reported at the close of the last session, authorizing the farmers of our country to form themselves into associations for buying and selling purposes. Some question has been raised in many quarters as to whether such combinations would not be in conflict with the antitrust law. The object of the bill which is on the calendar is to relieve selling associations of farmers and stock raisers from any difficulty under the antitrust law.

There have been no prosecutions, so far as I know, under the antitrust law in reference to such associations, but there are many who fear that there may be; and in order to remove that fear and to make such organizations perfectly safe, the Committee on the Judiciary reported the bill, which is a House bill, with an amendment. The amendment consists in taking away from the Secretary of the Treasury the power involved in the bill and putting it in the Federal Trade Commission.

I hope that when the pending joint resolution passes we can follow it up with the passage of the bill reported from the Committee on the Judiciary. We certainly ought to do what we can at this juncture to help the farmers of the country. They are bearing the brunt of the downward trend of prices. It has confronted them in the first instance. The jobbers, the wholesalers, and the middlemen are not affected, and they are not willing to stand the losses that are entailed on the farmers. As the Senator from Wyoming [Mr. KENDRICK] said the other day, one has to pay almost as much to-day for a mutton chop in a restaurant in this city as the sheepman can get for a whole sheep in the city of Chicago.

Mr. President, when this joint resolution passes I hope the Senate will proceed to the consideration of the other measure to which I have referred. It is a small matter, but we have an illustration of how valuable these selling associations have been in the matter of the sale of fruits on the Pacific coast. They have their organizations. They have had them for years. They ascertain, through their organizations, at what places and what cities in the East there is a market for their products, and they immediately ship the products there. Under the old system they would oftentimes ship carloads of perishable fruit to a city where it could not be disposed of at any price, and the fruit would be a total loss.

Our dairy farmers have succeeded to a large extent by a system of cooperation, and it is a curious fact that the dairy farmers form the one class of farmers who have been least affected by the downward trend of prices to-day, not in respect to their cattle and hogs but in respect to the products of the dairy, particularly butter. By organization and cooperation, and by means of cold storage, they have been able to hold their butter and peddle it out and get a fair price for it.

There is a spirit of socialism abroad in this country, Mr. President—state socialism. There are many who believe that the Government should undertake to do everything.

My idea is that the best thing is to aid the farmers. Let the farmers form their buying and selling associations, recognize those associations, and let the farmers be put in such shape that their associations can function freely and meet with the approval of the public. That system had already to some extent been in vogue in Russia before the revolution and the time of the soviet government. Even the Russian farmers had succeeded to a large extent in forming, before the revolution—I do not know what has happened to them since—buying and selling organizations; and by that means they succeeded in getting better prices for their products, and getting lower prices for what they were compelled to purchase.

So I trust, Mr. President, that in a spirit of desire to help the farmer we will pass this joint resolution, and, when it has been passed, that the Senate will indulge me by allowing me to call up the other measure to which I have referred.

Mr. SMITH of Georgia. Mr. President, I desire to ask the Senator from North Dakota [Mr. GRONNA], who is chairman of the committee, if he does not approve the substitute of the Senator from Nebraska—if it is not acceptable to him?

Mr. GRONNA. Mr. President, I have only this to say: The Committee on Agriculture and Forestry had a meeting this morning, and it was the wish of a large majority of the committee to offer this amendment. Personally I would rather have seen the joint resolution pass in its original form, and I know of at least one other Senator who entertains that opinion. Of course, I shall not object to it, however, because a majority of the committee approves it.

Mr. HITCHCOCK. Mr. President, I rise to say that I shall give my support to the substitute offered by my colleague [Mr.

NORRIS], and I can support it much more willingly than I could support the original section 2.

Section 2, as originally drawn, appears to be a reflection upon the Federal Reserve Board. The substitute, I think, is free from that objection. It comes within the legitimate jurisdiction of the Congress to express its opinion as to what should be done.

Moreover, I desire to call attention to the fact that the policy of the Federal Reserve Board in administering this great law has been a liberal one. I think, from what has been said here, that there is not yet a due appreciation of the tremendous expansion of bank credits that has gone forward under the administration of this board.

In 1914, when this board went into office, the bank loans of the national banks of the United States were less than \$7,000,000,000. At the present time the bank loans of the national banks are almost \$14,000,000,000. At that time—I mean, when the Federal reserve act first went into force—bankers were rediscounting only about 1 per cent of their bank loans. That per cent has steadily risen, year by year, until at the present time the banks of this country that are members of the Federal Reserve System are rediscounting on an average something near 17 per cent of their loans.

Not only has there been an enormous expansion of bank loans under the administration of the Federal Reserve Board, and an enormous expansion of rediscounts, which at the present time have risen until they reach over \$3,000,000,000—that is to say, the banks of this country are rediscounting, practically borrowing, through the Federal Reserve System over \$3,000,000,000 in order that they may have the resources to accommodate their customers—not only is that true on the average, but in my opinion the banks of the agricultural regions of the West and South have been favorably considered as far as the law permits by the discretionary power of the Federal Reserve Board.

For instance, Mr. President, one of the provisions in the original Federal reserve act, which I had something to do with incorporating in the act, reads as follows:

*Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months, exclusive of days of grace, may be discounted in an amount to be limited to a percentage of the assets of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.

Mr. President, that amendment to the bill was forced in upon the floor of the Senate after a fight. That fight was made for the purpose of protecting the agricultural interests of the country, North, South, and West particularly. Under that provision the Federal Reserve Board might have limited the Federal reserve banks to loaning 25 per cent of their assets upon agricultural notes of that sort or they might have made it 50 per cent. But as a matter of fact they exercised the whole power which Congress gave to them and they directed—and the order is now in force—that the Federal reserve banks of the country can lend 99 per cent of their assets on agricultural paper of this sort. That is very clear proof that the attitude of the Federal Reserve Board toward the agricultural interests of the country is a liberal attitude; that it is not restrictive to an unfair degree.

Again, we realized when the act was passed that when we established 12 Federal reserve banks in the United States, instead of 4 or 1, that a number of those banks would be largely local concerns, that all the customers in their districts would want their money at the same time, and that there might be need that they should be assisted by other Federal reserve banks. So we incorporated on page 21 of the act this paragraph:

To permit, or on the affirmative vote of at least five members of the reserve board to require, Federal reserve banks to rediscount the discounted paper of other Federal reserve banks at rates of interest to be fixed by the Federal Reserve Board.

Mr. President, under the provisions of this law the Federal Reserve Board might have required each one of the 12 reserve banks to stand on its own bottom and to stop discounting the paper of the member banks in its district when its limit of reserve had been reached, say, 40 per cent. But the Federal Reserve Board did not do that thing. It has exercised its full power, and when the Federal reserve bank at Minneapolis, at Kansas City, at Richmond, and at Atlanta, and the banks in other agricultural districts, reached the utmost limit to which they could go in rediscounting bills, the Federal Reserve Board here in Washington directed the stronger Federal reserve banks in the older districts of the United States, particularly Cleveland, Philadelphia, and Boston, to rediscount the paper of those Federal reserve banks in the agricultural districts of the West and South, and it was done.

I say this much, Mr. President, in justification and in defense of the Federal Reserve Board. It has gone as far as the

law allows it to go in providing credit to the agricultural interests of the country. If there was a defect, it was our mistake in dividing up the banks into so many districts so as to make them to some extent local. I am not criticizing the law in that respect now, but I say that if there was any defect, it was in the organization of the system, and not in the administration of it by the Federal Reserve Board.

Mr. President, I have not a great deal of faith in the joint resolution, but I am going to support it. I believe that the psychological effect of it will be good. I have not much faith in it, partly because I have observed, under the former operation of the War Finance Corporation, that it was used chiefly for the promotion and financing of manufactured exports, and I doubt somewhat whether it can be used effectively for the promotion of the exportation of agricultural products.

In my opinion what is above all desired is that Congress should devise some way to bring to the agricultural interests of the United States a larger supply of credit. They can not supply themselves with their credit. In the industrial centers of the country, in the manufacturing centers of the country, and the great mercantile centers the operations occur four or five times a year, goods are turned over repeatedly, the merchant is buying and selling and paying his notes several times a year, and the manufacturer is buying his raw materials and manufacturing them into products and selling them month by month all through the year; but in the agricultural districts the farmer of the West and the farmer of the South has to work a whole year, practically, to produce his crop. He needs a larger credit than he gets, and I think Congress should devise some way to afford to the agriculturist a broader credit and a greater credit than he has now, in order that he may not be compelled the moment he has raised his crop to dump it upon the market. I think it would be better for him to carry his crop a moderate length of time and market it gradually than to have it go into the hands of the middleman. The middleman has to be financed; the middleman has to have credit, and possibly we can just as well arrange to have that credit given to the producer. The consumer gets no benefit under the present situation, because the crops which go into the hands of the middleman, who is financed, who does have credit, only reach the consumer after the middleman's profits have been taken out of them.

So, if the Committee on Banking and Currency takes favorable action on the bill which I have introduced, I shall perhaps ask the Senate before this session closes, and I hope this month, to pass an act which I believe will be a first step in the direction of extending greater credit to the agricultural interests.

This year, as a result of very profitable operations of the Federal reserve banking system, the United States will receive between sixty and seventy million dollars of profit. The Secretary of the Treasury has only two things which he can do with that money: He can either use it to purchase bonds in the market, thereby making a little reduction in the national debt, or he can deposit it with the gold reserve in the Treasury against greenbacks. Neither of those purposes is of great value at the present time. If that money can be turned over to the farm-loan banks in some proper way to be used by them to make personal advances, possibly through other banks, to farmers and stock raisers upon personal security, or warehouse receipts, or chattel mortgages, we will have made a beginning in extending credit to the farming interests of the country. I trust that the Banking and Currency Committee may take favorable action upon that bill.

The PRESIDING OFFICER. The question is upon the amendment of the Senator from Nebraska [Mr. NORRIS].

Mr. THOMAS. Is that the substitute for section 2?

The PRESIDING OFFICER. It is.

Mr. THOMAS. I vote "no."

The amendment was agreed to.

Mr. SMITH of Georgia. Mr. President, instead of the rather detailed amendment to the first section which I had printed, I ask simply to add, after the word "agricultural" in the seventh line, page 2, the words "or other," so that it will read "agricultural or other products."

The PRESIDING OFFICER. The Secretary will report the amendment.

The ASSISTANT SECRETARY. On page 2, after line 7, after the word "agricultural," insert the words "and other," so that the clause will read:

And that said corporation be at once rehabilitated with the view of assisting in the financing of the exportation of agricultural and other products to foreign markets.

The amendment was agreed to.

Mr. McKELLAR. Mr. President, I send to the desk an amendment, which I ask to have adopted as section 3 of the joint resolution.

The PRESIDING OFFICER. The Secretary will report the amendment.

The ASSISTANT SECRETARY. Add a new section, as follows:

Sec. 3. That factor's paper with cotton or other staple agricultural products as collateral shall be eligible for rediscount in Federal reserve banks.

The amendment was rejected.

Mr. NORRIS. Mr. President, a parliamentary inquiry. A suggestion has been made which I think everyone will agree to. It is to amend the joint resolution by adding one word in the first whereas. That amendment should come later?

The PRESIDING OFFICER. It will be in order later when the time comes to consider the preamble.

Mr. POMERENE. Mr. President, I move to strike out the second section.

Mr. THOMAS. Mr. President, a parliamentary inquiry: Would not the proper procedure be to ask for the taking of a separate vote on each section?

The PRESIDING OFFICER. The Chair will rule the motion which has just been made out of order. The Chair does not believe a motion to strike out will lie in Committee of the Whole. The joint resolution is still in Committee of the Whole.

Mr. POMERENE. Mr. President, let me understand, please. The amendment offered by the Senator from Nebraska [Mr. NORRIS] was offered as a substitute for the original section. As between those two the Senate has declared itself in favor of the substitute, but some of us are opposed even to the substitute, although we prefer the substitute to the original. It seems to me that we are clearly entitled to an expression of the Senate upon that subject.

The PRESIDING OFFICER. The Chair may be mistaken in his ruling.

Mr. HITCHCOCK. I suggest to the Senator from Ohio that he can achieve his purpose when the joint resolution gets into the Senate by demanding a separate vote on each section.

Mr. LODGE. Mr. President, I rise to a parliamentary inquiry. Does the Chair hold that an amendment in the nature of a substitute, after it has been adopted, can not be stricken from the bill? It undoubtedly can not be amended further, because the Senate has adopted that precise form of words; but I am a little in doubt whether we lose the right to strike out an amended section.

The PRESIDING OFFICER. The Chair will state the question now, so that there will be no doubt, and the same result will be reached. The question now is upon section 2 as amended.

Mr. THOMAS. Mr. President, on that question I demand the yeas and nays.

Mr. NORRIS. Mr. President, a parliamentary inquiry. Are we to dispose of section 2 before we dispose of section 1?

Mr. SMITH of Georgia. There is pending a substitute for both sections.

Mr. NORRIS. We have agreed to a substitute for section 2.

Mr. SMITH of Georgia. No; there is pending the substitute of the Senator from Missouri [Mr. SPENCER]. I thought he offered one.

Mr. NORRIS. I did not know that the Chair had put that question.

The PRESIDING OFFICER. The Senator from Colorado asks for the yeas and nays.

Mr. SMITH of South Carolina. This is a direct vote? An affirmative vote will retain it; a negative vote will strike it out?

The PRESIDING OFFICER. Yes; section 2, as amended by the substitute of the Senator from Nebraska [Mr. NORRIS].

The yeas and nays were ordered.

Mr. LODGE. I understand that the question is on adopting the second section as amended?

The PRESIDING OFFICER. That is the pending question, and the yeas and nays have been ordered.

Mr. LODGE. That proceeding is novel to me. It seems to me a motion to strike out is clearly in order. A motion to strike out, which I think is the proper motion, would, of course, develop the same result.

Mr. NORRIS. No one has made a point of order against that motion. I am opposed to the motion, but to be fair I concede that the Senator from Ohio [Mr. POMERENE] has a perfect right to make it. I hope it will be defeated, but no one has made a point of order against the motion.

The PRESIDING OFFICER. Allow the Chair to state his position. It is simply that a motion to strike out will not lie as in Committee of the Whole, the substitute just having been adopted.

Mr. NORRIS. I do not agree with the Chair, but in order to expedite the matter, will not the Senator from Ohio reserve his motion and make it when we get into the Senate?



Mr. POMERENE. I can do that, but I think I am entitled to a vote on it as in Committee of the Whole.

Mr. NORRIS. I think the Senator is, but he would have to appeal from the ruling of the Chair, and that would take time.

Mr. POMERENE. It seems to me we can decide the question by taking a vote upon it at this time.

Mr. SMOOT. Mr. President, as I understand the situation, the Senator from Nebraska offered a substitute for section 2 and the Senate voted the substitute in. Then under the rule the question is, Will the Senate agree to section 2 as amended, and that is what is before the Senate now.

The PRESIDING OFFICER. That is before the Senate now and, on the demand of the Senator from Colorado [Mr. THOMAS], the yeas and nays have been ordered.

Mr. FLETCHER. I submit that the question is entirely right as the Chair has stated it, and if we will vote we will get the question decided now whether we shall agree to the substitute or not.

The PRESIDING OFFICER. The question is upon agreeing to section 2 of the joint resolution as amended. The yeas and nays have been ordered and the Secretary will call the roll.

The reading clerk proceeded to call the roll.  
Mr. HENDERSON (when his name was called). I have a general pair with the Senator from Illinois [Mr. McCORMICK]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. MOSES (when his name was called). I have a general pair with the junior Senator from Louisiana [Mr. GAY], who is absent from the city. I transfer my pair to the junior Senator from Maine [Mr. HALE] and vote "nay."

Mr. UNDERWOOD (when his name was called). I have a general pair with the junior Senator from Ohio [Mr. HARDING]. I transfer that pair to the senior Senator from Arkansas [Mr. ROBINSON] and vote "yea."

Mr. WOLCOTT (when his name was called). I have a general pair with the Senator from Indiana [Mr. WATSON]. I transfer that pair to the Senator from Arizona [Mr. SMITH] and vote "yea."

The roll call having been concluded,

Mr. HARRISON. The senior Senator from Mississippi [Mr. WILLIAMS] is unavoidably absent. He has a general pair with the senior Senator from Pennsylvania [Mr. PENROSE]. If present and not paired, the senior Senator from Mississippi would vote "yea."

Mr. SWANSON. The senior Senator from Arizona [Mr. SMITH] is unavoidably detained from the Senate. If he were present, he would vote "yea."

Mr. SHEPPARD. The senior Senator from Texas [Mr. CULBERSON] is necessarily absent. If he were present, he would vote "yea."

Mr. RANDELL. The junior Senator from Louisiana [Mr. GAY] is necessarily absent. If present, he would vote "yea."

Mr. GLASS (after having voted in the negative). I am reminded that I have a pair with the senior Senator from Illinois [Mr. SHERMAN]. In his absence I withdraw my vote.

Mr. POMERENE (after having voted in the negative). I have a pair with the senior Senator from Iowa [Mr. CUMMINS], dependent upon certain conditions. At times I am, under the pair, permitted to vote, and at other times not. After conferring with the junior Senator from Iowa [Mr. KENYON] I feel that perhaps I should transfer my pair to the senior Senator from California [Mr. PHELAN] and allow my vote to stand.

Mr. TRAMMELL. I have a pair with the senior Senator from Rhode Island [Mr. COLT]. In his absence I transfer that pair to the Senator from New Mexico [Mr. JONES] and vote "yea."

Mr. EDGE (after having voted in the negative). I have a general pair with the junior Senator from Oklahoma [Mr. OWEN]. I transfer that pair to the senior Senator from Vermont [Mr. PAGE] and allow my vote to stand.

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. KNOX]. In his absence I transfer my pair to the Senator from Missouri [Mr. REED] and vote "yea."

Mr. SUTHERLAND (after having voted in the negative). I have a general pair with the senior Senator from Kentucky [Mr. BECKHAM]. I transfer that pair to the junior Senator from Delaware [Mr. BALL] and allow my vote to stand.

Mr. CURTIS. I desire to announce the absence of the junior Senator from California [Mr. JOHNSON]. If present, he would vote "yea."

I also desire to announce that the Senator from Vermont [Mr. DILLINGHAM] is paired with the Senator from Maryland [Mr. SMITH]; the junior Senator from West Virginia [Mr. ELKINS] is paired with the junior Senator from Rhode Island [Mr. GERRY]; and the senior Senator from Maine [Mr. FER-

NALD] is paired with the junior Senator from South Dakota [Mr. JOHNSON].

Mr. HARRISON. I desire to announce that the junior Senator from South Dakota [Mr. JOHNSON] is detained by illness.

Mr. FLETCHER (after having voted in the affirmative). I have a general pair with the Senator from Delaware [Mr. BALL]. In view of the transfer just made by the Senator from West Virginia [Mr. SUTHERLAND] I am at liberty to vote. I will therefore allow my vote to stand.

The result was announced—yeas 47, nays 16, as follows:

## YEAS—47.

Ashurst	Harrison	McNary	Smith, Ga.
Borah	Heflin	Myers	Smith, S. C.
Capper	Hitchcock	Nelson	Spencer
Chamberlain	Jones, Wash.	Norris	Stanley
Curtis	Kellogg	Nugent	Sterling
Dial	Kendrick	Overman	Swanson
Fall	Kenyon	Phipps	Trammell
Fletcher	Kirby	Poincxter	Underwood
France	La Follette	Ransdell	Walsh, Mont.
Gore	Lenroot	Sheppard	Warren
Gronna	McCumber	Shields	Wolcott
Harris	McKellar	Simmons	

## NAYS—16.

Brandegee	Henderson	McLean	Sutherland
Calder	Keyes	Moses	Thomas
Edge	King	Pomerene	Townsend
Frelinghuysen	Lodge	Smoot	Wadsworth

## NOT VOTING—33.

Ball	Gerry	New	Sherman
Beckham	Glass	Newberry	Smith, Ariz.
Colt	Hale	Owen	Smith, Md.
Culbertson	Harding	Page	Walsh, Mass.
Cummins	Johnson, Calif.	Penrose	Watson
Dillingham	Johnson, S. Dak.	Phelan	Williams
Elkins	Jones, N. Mex.	Pittman	
Fernald	Knox	Reed	
Gay	McCormick	Robinson	

So section 2 as amended was agreed to.

Mr. SPENGER. Mr. President, I propose the substitute which I send to the desk.

The PRESIDING OFFICER. The proposed substitute will be stated.

The ASSISTANT SECRETARY. Strike out all after the resolving clause and insert:

SECTION 1. That in the judgment of the Congress the War Finance Corporation should resume its operations.

SEC. 2. That the Federal Reserve Board should fully cooperate with such renewed activities of the War Finance Corporation.

Mr. GRONNA. Mr. President, I hope that the proposed substitute will not be agreed to. We have had extended hearings before the committee of which I have the honor to be chairman. The governor of the Federal Reserve Board has stated specifically that if we would direct him to revive this corporation he would be glad to do so. I can see no reason why at this late hour the proposed substitute should be adopted. I hope, therefore, that the friends of the measure will vote it down.

The PRESIDING OFFICER. The question is on agreeing to the amendment in the nature of a substitute proposed by the Senator from Missouri [Mr. SPENGER].

The amendment was rejected.

Mr. KING. Mr. President, when the joint resolution was under consideration, I think on Saturday, I indicated a purpose to submit some observations in regard to it. I gave assurance to my good friend the Senator from North Dakota [Mr. GRONNA] that I would not interpose any objection to the passage of the joint resolution to-day. We have reached an hour now when I know Senators are very anxious to depart from the Chamber. What I have to say would take perhaps an hour or an hour and a half. I can discuss some features of the joint resolution at some other time and also the other matters to which I desire to direct attention, and for the purpose of keeping my implied promise to my friend from North Dakota I shall pre-empt any discussion at this time. Perhaps to-morrow or at an early date I shall ask the indulgence of the Senate, when I shall discuss inferentially the joint resolution and other matters to which I desire to call attention.

The joint resolution was reported to the Senate, as amended, and the amendments were concurred in.

The joint resolution was ordered to be engrossed for a third reading, read the third time, and passed.

The PRESIDING OFFICER. The question is on agreeing to the preamble.

Mr. WARREN. I call the attention of the Senator in charge of the joint resolution to the first whereas of the preamble. It enumerates the inability of farmers to dispose of their corn, wheat, cotton, and live stock. I ask him to let the word "wool" follow the word "cotton."

Mr. GRONNA. As far as I am personally concerned, I accept that amendment.

The amendment was agreed to.

The preamble as amended was agreed to.

The title was amended so as to read: "A joint resolution directing the War Finance Corporation to take certain action for the relief of the present depression in the agricultural sections of the country, and for other purposes."

Mr. WADSWORTH. In view of the amendment of the Senator from Georgia, it seems to me that the title should be amended by striking out the words "in the agricultural sections of the country."

Mr. GRONNA. May I ask the Senator from New York why he wants the words to which he has referred stricken out?

Mr. WADSWORTH. I understood that an amendment had just been adopted which would make this measure applicable to all kinds of undertakings in addition to agriculture.

Mr. GRONNA. That is correct, but that was not included in the preamble, I will say to the Senator.

Mr. WADSWORTH. The preamble has nothing to do with the title. I merely make the suggestion in the interest of consistency.

Mr. LODGE. The title is all right now.

Mr. WADSWORTH. Very well.

Mr. LODGE obtained the floor.

Mr. GRONNA. Mr. President—

Mr. LODGE. I yield to the Senator from North Dakota.

Mr. GRONNA. Mr. President, I have not taken a single minute of the time of the Senate in the debate on the joint resolution which has just been passed, for the reason that I was anxious to have it disposed of. I have a telegram here with reference to the measure which I wish to ask to have inserted in the RECORD. It is a telegram from J. G. Crites, a gentleman whom I know very well, a very prominent citizen of my State, and I ask to have it printed in the RECORD in full.

The PRESIDING OFFICER. Without objection, it is so ordered.

The telegram referred to is as follows:

HELENA, MONT., December 10, 1920.

Senator ASLE J. GRONNA,  
Washington, D. C.:

Due to decline in prices of farm products, our farmers are on the verge of bankruptcy and will be unable to plant another crop unless provided with immediate financial assistance, which our banks are unable to extend. As a farmers' organization with over 2,000 stockholders, we respectfully implore you to use all honorable means to revive the War Finance Board, making its provisions sufficiently elastic to permit of its financing needy farmers and their organizations.

MONTANA GRAIN GROWERS,  
J. G. CRITES, General Manager.

Mr. GRONNA. I ask that certain pages from the hearings, pages 60, 61, and 62, and part of page 63, be printed in the RECORD, being a portion of the statement of Gov. Harding.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

Mr. HARDING. Yes. We had a conference here on the 8th of May last, when the situation seemed to be getting out of hand. We had raised the rates as high as we wanted to go. There was indisposition on the part of the agricultural interests to sell their products, either because they thought they were going higher or because of the railroad situation. There was no selling movement to amount to anything, and there seemed to be a revival of the borrowing spirit, and we did not want this to resume the pace it had gone before, because we had to prepare for crop moving in the fall. A conference was held between the board and the Federal Advisory Council, which is a statutory body authorized to advise the board on general conditions, and class A directors of the Federal reserve banks. A carefully prepared statement was read to that conference, which was afterwards made public.

That statement if read from one end to the other contains nothing that anyone can take exception to. It merely called attention to certain facts which existed and to certain dangerous tendencies. It called attention to the necessity for providing funds to move the crop in the fall, and it pointed out that if the extension of credit should proceed at the rate it had gone for a few months preceding, the Federal Reserve System would be unable to function effectively, and a great many banks might be obliged to restrict necessary credits. Banks generally were cautioned to pursue a more careful policy in extending credits and were asked to look over their loans to see what purpose they were for; whether they were for speculative purposes, for the holding of commodities which could and ought to be sold. The statement was very moderate in tone. It pointed out that in some cases it might be necessary for a bank to pay some attention to the essentiality of the purpose for which a loan was asked, and that in cases where it found it necessary to discriminate it should do so, being careful always to take care of the essential enterprises of the community and not to do anything that would result in any general hardship, but that if it had an opportunity of collecting a long-standing loan that it had really no business to carry, it ought to do so. Banks were told that in granting new accommodations they should favor those that were essential, instead of cutting them down and loaning on nonessential propositions. As to essential or nonessential loans, we distinctly stated that the Federal Reserve Board was not in position to give any advice to the banks, but that the individual banker was in better position than anyone else to determine the essential or nonessential character of the loans offered to him.

Representative BYRNES of South Carolina. Were those bulletins all printed?

Mr. HARDING. A statement was given to the press.

Representative BYRNES of South Carolina. Now, as a result of that, the intent of the board certainly seemed to be misunderstood, and that the officials were told.

Mr. HARDING (interposing). I do not think the intent of the board was misunderstood so much as it was deliberately misrepresented.

Representative BYRNES of South Carolina. Well, the effect of deliberately misrepresenting it was to cause the banks to curtail credits. Isn't that the condition to which you have referred in the district in which Senator NORRIS lives—that they received their information from the officials, who are deliberately misrepresenting the board?

Mr. HARDING. I do not think that is true, because the volume is greater now than it was last May.

Senator NORRIS. What do they have to pay? You raised the rate, did you not? Would not that alone prevent these bankers from making loans?

Mr. HARDING. I don't think so.

Senator NORRIS. Does not the rate have anything to do with it?

Mr. HARDING. May I ask what the legal rate of interest is in Nebraska?

Senator NORRIS. Seven per cent.

Mr. HARDING. And in Kansas?

Representative TINCER. Six per cent.

Mr. HARDING. And in Wyoming? Nobody here seems to know. Are any special contracts authorized out there?

Senator NORRIS. Yes; up to 10 per cent.

Mr. HARDING. The Kansas City district rate is 6 per cent. Any bank can borrow an amount equal to one and one-half times the sum of its paid-in contribution to the capital of the Federal reserve bank, plus its reserve balance at a 6 per cent rate.

Senator NORRIS. That is a high rate, is it not; a rediscount rate?

Mr. HARDING. The rediscount rates are relative. It is not a high rate. The Bank of England rate is 7 per cent.

Senator NORRIS. What was the normal rate, before you increased it?

Mr. HARDING. In 1915 we had a 3 per cent rate and did not do any business at that rate, because nobody wanted to borrow money.

Senator NORRIS. And then you raised it?

Mr. HARDING. We raised it from time to time; yes, sir.

Senator NORRIS. Do you mean to say the banks would not pay 3 per cent but were glad to pay more?

Mr. HARDING. I do not know how glad they are, but in 1915 they had no occasion to borrow money; they did not want to borrow money at any price.

Senator NORRIS. It was not a question of rates then; they did not need the money?

Mr. HARDING. I do not think the rate cuts much figure in restraining a bank which is obliged to borrow, but prevents others from over-lending merely for the sake of profit.

Senator NORRIS. Is not the power given to the Federal Reserve Board particularly with a view of having them curtail their credits? Is not that the real object of it?

Mr. HARDING. The act says, in section 14, that the Federal reserve banks may establish, from time to time, rediscount rates, subject to the review and determination of the Federal Reserve Board, which rates shall be fixed with a view to accommodating commerce and business. In section 13 there is a provision defining what kind of paper may be eligible for rediscount by Federal reserve banks. Broadly speaking, a provision is made for the eligibility of bills and notes which are issued or drawn, or the proceeds of which have been used or are to be used for agricultural, commercial, or industrial purposes. It goes on to say, however, that nothing in this act contained shall be construed as preventing the discount of such paper, defined as eligible above, and that notes issued or drawn for the purpose of carrying merely investments, or issued or drawn for the purpose of buying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States shall not be eligible for rediscount by a Federal reserve bank. That is something that complicates the whole situation. At the time that act was passed the United States had a debt of something less than a billion dollars, and most of that was pledged as security for national bank notes. Now, since the war the United States has a total indebtedness of approximately \$25,000,000,000, and every bond, note, and certificate issued by the Government in borrowing that vast amount is acceptable as security for notes running as long as 90 days, or as security for member banks' notes running not longer than 15 days, and notes so secured are eligible for rediscount at a Federal reserve bank.

Now, you can see what would happen if we were to attempt to put in any artificial rate. Federal reserve bank discount rates must be based upon the current rates for credit. The experience of the Bank of England has been that it must always fix the official bank rates slightly higher than the current rate. That is the case over there to-day. The official rate of the Bank of England is 7 per cent, and the current rate is about 5½ per cent.

The Federal Reserve Board adopted a policy in order to assist in the war financing which was economically unsound. I say this frankly. Congress authorized certain loans. It authorized the Secretary of the Treasury to determine the rates at which the loans should be issued. The Secretary of the Treasury asked the advice of experts and then fixed the rates of interest to be borne by the several issues of bonds, notes, and certificates. During the time we were actually at war, something like \$18,000,000,000 of bonds were sold to the people, an amount certainly in excess of the normal investment power of the American people in such a short time, and the only way in which those loans could be financed was through the instrumentality of the banks. The only way the banks could undertake to do it was to get some assistance from the Federal reserve banks and at a low rate. The low rate of interest borne by these bonds was fixed with a view of holding down the expenses of the Government as far as possible. Anyway, that is something the Federal Reserve Board has no responsibility for. In order to make possible the floating of these bonds we fixed a rate less than their coupon rate. Some member banks announced that for a period of six months there would be a rate of 4½ per cent on notes secured by Government obligations. The result was there was no loss to subscribing banks pending the distribution of the bonds to the public. There were successive bond issues. The principal reason why discount rates were not increased earlier than they were in 1919 was on account of Treasury financing.

Representative LAZARO. Would it not be easier for the farmer to borrow on his agricultural products from his member bank, if he had his products stored in a United States bonded warehouse where his products would be weighed and licensed by grades?

Mr. HARDING. I think it would; yes, sir.

SUSPENSION OF ASSESSMENT WORK ON MINING CLAIMS.

Mr. POINDEXTER. Mr. President—

Mr. LODGE. Mr. President, I did not yield the floor for debate.

The PRESIDING OFFICER. The Senator from Massachusetts has the floor.



Mr. LODGE. I yield to the Senator from Washington to make a request.

Mr. POINDEXTER. I make the request because it is necessary, if any action at all is taken upon the matter which I am about to bring to the attention of the Senate, to have it done at once. From the Committee on Mines and Mining, to which was referred the bill (S. 4565) to extend the requirements of annual assessment work on mining claims during the year 1920, I report it back with an amendment and ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. Is there objection?

Mr. LODGE. If it leads to no debate, I shall not object.

Mr. SMOOT. I desire to ask the Senator from Washington a question before I give consent.

Mr. KENYON. Mr. President, a parliamentary inquiry. Is the matter presented by the Senator from Washington in the nature of a bill?

Mr. POINDEXTER. It is.

Mr. KENYON. I suggest that if that measure is taken up for consideration, and then the Senate adjourns before it is concluded, the unfinished business will be supplanted. Under those circumstances, I feel obliged to object.

Mr. POINDEXTER. I imagine there will be no difficulty about having the unfinished business laid aside temporarily for this particular purpose until the bill can be disposed of.

Mr. KENYON. The unfinished business was temporarily laid aside for the joint resolution which has just passed the Senate, and I understand that the unfinished business is now before the Senate again. If the Senator secures the consideration of the measure in which he is interested while the unfinished business is pending, and the Senate should adjourn before the consideration of the measure is concluded, the unfinished business would be supplanted.

Mr. POINDEXTER. I will ask to have the bill withdrawn if it can not be disposed of at once without debate.

Mr. KENYON. With the understanding that it will not supplant the unfinished business, I shall not object.

Mr. SMOOT. Mr. President, I wish to ask the Senator a question before I consent to the consideration of the bill at this time. I have not had a chance to read the report of the committee. Does it exclude placer locations?

Mr. POINDEXTER. No; it does not, with the exception of locations of oil shale. That is the only exception.

Mr. SMOOT. Those are placer locations.

Mr. POINDEXTER. They are not all placer locations.

Mr. LODGE. Mr. President, I said that I yielded if there was no debate. There is evidently going to be debate, and I shall be obliged, therefore, to make the motion to adjourn.

Mr. ASHURST. Mr. President, if the Senator from Massachusetts will withhold the motion for a moment, the measure reported by the Senator from Washington [Mr. POINDEXTER] is very important, and, as he has said, it has got to be passed at once, within a day or two, if any relief is to be afforded. I think, with a slight amendment, we can dispose of it, without any debate, in two minutes.

Mr. LODGE. Very well; if there is no debate I will withhold the motion.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill (S. 4565) to extend the requirements of annual assessment work on mining claims during the year 1920, which had been reported from the Committee on Mines and Mining with an amendment to strike out all after the enacting clause and to insert:

That the period within which work may be performed or improvements made for the year 1920 upon mining claims, as required under section 2324 of the Revised Statutes of the United States, is hereby extended to and including the 1st day of July, 1921; so that work done or improvements made upon any mining claim in the United States or Alaska on or before July 1, 1921, shall have the same effect as if the same had been performed within the calendar year of 1920; *Provided*, That this act shall not apply to or affect claims to oil shale; *And provided further*, That this act shall not in any way change or modify the requirements of existing law as to work to be done or improvements made upon mining claims for the year 1921.

Mr. SMOOT. I move to strike out the exception as to oil shale.

Mr. POINDEXTER. On behalf of the committee, as far as I can do so, I accept the amendment proposed.

The PRESIDING OFFICER. The amendment offered by the Senator from Utah will be stated.

The READING CLERK. It is proposed to strike out the first proviso, as follows:

*Provided*, That this act shall not apply to or affect claims to oil shale.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee as it has been amended.

Mr. HITCHCOCK. I should like to have the amendment as amended read.

The PRESIDING OFFICER. The amendment as amended will be stated.

The READING CLERK. As amended the amendment reported by the committee is to strike out all after the enacting clause and insert the following:

That the period within which work may be performed or improvements made for the year 1920 upon mining claims, as required under section 2324 of the Revised Statutes of the United States, is hereby extended to and including the 1st day of July, 1921, so that work done or improvements made upon any mining claim in the United States or Alaska on or before July 1, 1921, shall have the same effect as if the same had been performed within the calendar year of 1920; *Provided*, That this act shall not in any way change or modify the requirements of existing law as to work to be done or improvements made upon mining claims for the year 1921.

The amendment as amended was agreed to.

The bill was reported to the Senate as amended, and the amendment was concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill extending the time for the doing of annual assessment work on mining claims for the year 1920 to and including July 1, 1921."

Mr. LODGE. I move that the Senate adjourn.

The motion was agreed to; and (at 6 o'clock and 25 minutes p. m.) the Senate adjourned until to-morrow, Tuesday, December 14, 1920, at 12 o'clock meridian.

## HOUSE OF REPRESENTATIVES.

Monday, December 13, 1920.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Our Father who art in heaven, in whom all our longings, hopes, and aspirations are centered, hallowed be Thy name. Without Thee we are nothing, with Thee we may accomplish wonders.

Forsake us not in this critical moment of our Nation's history and help us to rise nobly to the occasion, that we may reflect Thy glory in whatsoever we do and thus become instruments in Thy hands for the promotion of all good. In the spirit of the Lord Jesus Christ our Savior. Amen.

The Journal of the proceedings of Saturday, December 11, 1920, was read and approved.

### EXTENSION OF REMARKS.

Mr. TAYLOR of Tennessee. Mr. Speaker, I ask unanimous consent to revise and extend my remarks upon the immigration bill.

The SPEAKER. The gentleman from Tennessee asks unanimous consent to extend his remarks in the Record on the immigration bill. Is there objection?

There was no objection.

Mr. KIESS. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record upon the immigration bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. WELTY. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection?

There was no objection.

Mr. CHINDBLOM. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record upon the immigration bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. WINGO. Mr. Speaker, I have not objected to these requests, upon the general assumption that the gentlemen who made them will extend their own remarks in the Record and not insert the remarks of other people.

Mr. CHINDBLOM. Mr. Speaker, my request was to extend my own remarks in the Record, and the extension will be confined to them.

Mr. WINGO. I felt sure that the gentleman would, but thought at the same time I would call attention to it.

### LEAVES OF ABSENCE.

Mr. CAREW. Mr. Speaker, I ask unanimous consent that my colleague, Mr. DOOLING, be excused indefinitely because of the sudden death of his son in California. If Mr. DOOLING were present, he would probably vote against the immigration bill.